

SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Please not that this is a summary only and does not contain all the information that may be important to you. You should read the whole document, including but not limited to our financial statements and the accompanying notes and the particular risks involved as set out in "Risk Factors" in this document, carefully before making any [REDACTED] in respect of the [REDACTED].

OVERVIEW

Evolution and Development of our Business

We are a marketing service provider based in the PRC. Since we commenced our operation in traditional telecommunications marketing and promotion businesses in the PRC in 2015, we have strived to provide our customers with marketing services that are comprehensive and tailored to their corporate needs. Over the years, we have endeavoured to expand our capacities in providing marketing services in accordance with the prevailing market trends and developments. Initially providing marketing services for advertisers through traditional offline channels, we have built up our service offerings with such additions as online marketing services via large-scale media platform operators, virtual goods sourcing and delivery services, advertisement distribution services, and advertisement placement services. We have achieved our business diversification by means of constant upgrades to our business through both organic growth and acquisitions, as a result of which there has been a corresponding increase in our customer base and the variety of the forms and channels in which our marketing services have been delivered. With business diversification, enhanced market penetration and potential synergies from possible further business collaboration in mind, we have also been providing IT solutions services, which our Directors believe could benefit the growth of our marketing and promotion services in the longer term.

The evolution of our marketing services and the diversification of our means of delivery had driven the significant growth of our Group during the Track Record Period. For FY2019, FY2020 and FY2021, our total revenue amounted to approximately RMB89.4 million, RMB113.0 million and RMB219.5 million, respectively, with a CAGR of approximately 56.7% registered from FY2019 to FY2021. Our total revenue had also increased by approximately 10.9% from RMB63.8 million for 4M2021 to RMB70.7 million for 4M2022. We shall carry on the growth momentum through, among others, further developing and expanding our marketing channels and resources for our marketing and promotion services, our supplier base and portfolio of virtual goods, and our SaaS enterprise marketing service platform.

OUR BUSINESS MODEL

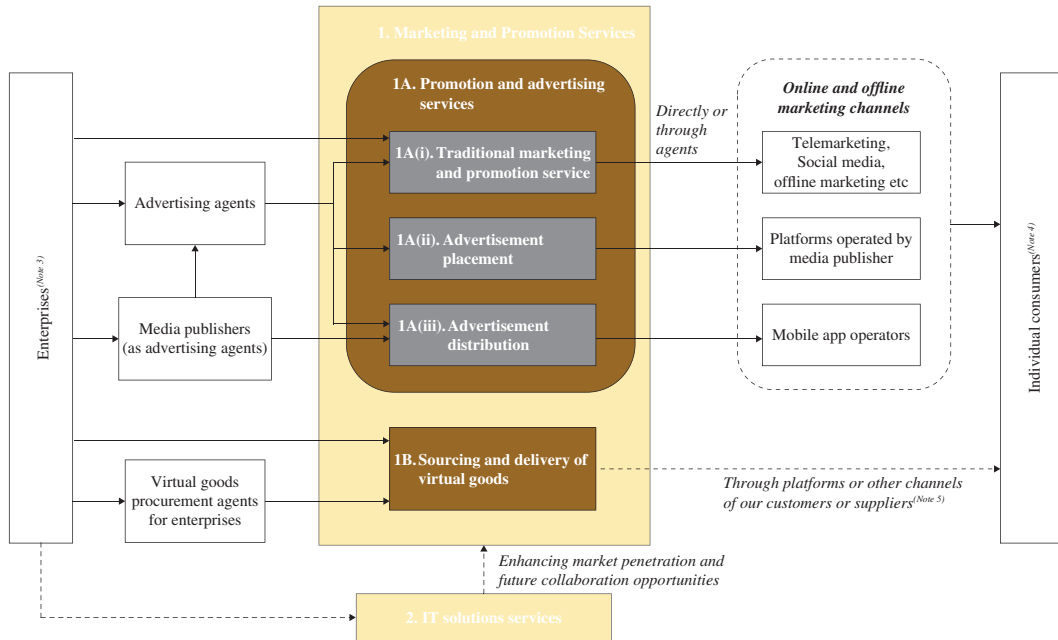
During the Track Record Period, we operated two main business segments, namely:

- (1) marketing and promotion services, which include:–
 - (1A) promotion and advertising services, where we assist enterprise advertisers in acquiring and/or reactivating users through different services including (i) traditional marketing and promotion services; (ii) advertisement placement services; and (iii) advertisement distribution services;
 - (1B) virtual goods sourcing and delivery services, where we source virtual goods (such as, top-up coupons of telecommunication services, digital vouchers and gift cards) for enterprises and deliver the virtual goods to them for their user acquisition, engagement and/or retention purposes;
- (2) IT solutions services, for the purposes of business diversification, enhanced market penetration and further business collaborations in broader business areas, where we provided (2A) mobile game and software development and maintenance services; and (2B) solutions on lottery-related software systems and equipment.

Marketing and promotion services constitute our core business segment and contributed over 70.0% of our revenue throughout the Track Record Period, where we primarily act as an intermediate marketing services provider and assisting enterprise advertisers to deliver their marketing and promotion campaigns to individual consumers.

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Set forth below is a diagram which illustrates the position of our Group in the value chain of the marketing industry in the PRC and our overall business model:



Notes:

1. The shaded boxes denote the roles and operations of our Group in different business segments and sub-segments.
2. “→” denotes the flow of marketing and promotion services from enterprise advertisers to the individual consumers.
3. Enterprises include enterprises which are desirous of (i) advertising and promoting their products or services (as to our promotion and advertising services); (ii) procuring virtual goods for customer retention (as to our virtual goods sourcing and delivery services); and (iii) sourcing software and/or equipment (as to our IT solutions services).
4. Individual consumers refer to the target audience of our advertising and promotion services and end users of virtual goods.
5. We primarily provide “to-B” virtual goods sourcing and delivery services to enterprises, who are responsible for arranging onward delivery of the virtual goods to the individual consumers. The virtual goods are either delivered to the enterprises (or their agents) which will arrange onward delivery to their individual consumers or directly from the virtual goods suppliers to individual consumers at the instruction of the enterprises (or their agents).

As an intermediate advertising service provider, we primarily add value to the supply chain of advertising services by integrating media resources of and connecting advertisers with advertising publishers, allowing advertisers to conduct marketing activities in a more cost-efficient manner. For further details of our value in the supply chain, please refer to the section headed “Business — Our Business Model — Our Value in the Supply Chain of Advertising Services” in this document.

With the evolution in the services provided by us over the years, we continued to enrich our role and value in the supply chain of the advertising industry, which we believe is one of the major drivers of our revenue growth during the Track Record Period.

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The following table sets forth our revenue breakdown by business segments and sub-segments for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
1. Marketing and promotion services										
(A) Promotion and advertising services										
(i) Traditional marketing and promotion services	56,670	63.4	16,749	14.8	4,724	2.2	3,322	5.2	1,768	2.5
(ii) Advertisement placement services	-	-	-	-	6,234	2.8	546	0.9	2,481	3.5
(iii) Advertisement distribution services	-	-	18,500	16.4	107,921	49.2	38,327	60.1	38,161	54.0
(B) Virtual goods sourcing and delivery services	12,408	13.9	45,291	40.1	44,629	20.3	12,964	20.3	15,704	22.2
Sub-total	69,078	77.3	80,540	71.3	163,508	74.5	55,159	86.5	58,114	82.2
2. IT solutions services										
(A) Mobile games and software development and maintenance services	17,861	20.0	7,939	7.0	11,275	5.1	4,501	7.1	7,084	10.0
(B) Solutions on lottery-related software systems and equipment	1,122	1.2	23,987	21.2	44,378	20.2	3,985	6.2	5,476	7.7
Sub-total	18,983	21.2	31,926	28.2	55,653	25.3	8,486	13.3	12,560	17.7
Others^(Note)	1,311	1.5	574	0.5	388	0.2	149	0.2	45	0.1
TOTAL	89,372	100.0	113,040	100.0	219,549	100.0	63,794	100.0	70,719	100.0

Note: Others represent commission generated from the sale of lottery tickets through our offline shops. We tapped into the sales of lottery tickets by acquiring Yuncaitong in 2018, with a view to penetrate into the lottery industry and to explore potential marketing and advertising opportunities through its lottery sales points network. While Yuncaitong retained offline shops after the acquisition, given our primary focus of providing marketing and promotion services in or through the lottery industry, we gradually downsized our offline lottery shops after 2019. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we operated 10, 4, 3 and 1 offline shop(s), respectively. During the Track Record Period, we generated commission from the sale of lottery tickets at a commission rate of 7% to 8%.

Please refer to the paragraphs headed “Key Financial Information — Revenue” in this section for a discussion on the fluctuations in the revenue contribution of our different business segments during the Track Record Period.

1. Our Marketing and Promotion Services

Marketing and promotion services constitute our core business segment. Centred around enabling user acquisition, engagement and/or retention for advertisers, our marketing and promotion services can be broken down into two sub-segments, namely (1A) promotion and advertising services; and (1B) virtual goods sourcing and delivery services.

The customers of our marketing and promotion services mainly comprise (i) enterprise advertisers which are desirous of advertising and promoting their products or services or procuring virtual goods for, amongst others, customer retention; and (ii) advertising agents or virtual goods procurement agents of the enterprise advertisers. Depending on the customers’ requirements, the products or services to be promoted and our available resources, we provide our marketing and promotion services through an integration of online and offline marketing channels. Leveraging on our technical capability, we have been shifting our focus from offline marketing to online marketing, which we believe, is one of the reason for the growth of our marketing and promotion services business during the Track Record Period.

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The following table sets forth breakdowns of our revenue from marketing and promotion services by marketing channels and customer types for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
<i>By marketing channels:</i>										
Online	57,443	83.2	72,695	90.3	159,250	97.4	51,837	94.0	57,506	99.0
Offline	11,635	16.8	7,845	9.7	4,258	2.6	3,322	6.0	608	1.0
Total	<u>69,078</u>	<u>100.0</u>	<u>80,540</u>	<u>100.0</u>	<u>163,508</u>	<u>100.0</u>	<u>55,159</u>	<u>100.0</u>	<u>58,114</u>	<u>100.0</u>
<i>By types of customers:</i>										
Advertising agents	56,252	81.4	56,712	70.4	129,018	78.9	43,102	78.1	46,017	79.2
Enterprises	12,826	18.6	23,828	29.6	34,490	21.1	12,057	21.9	12,097	20.8
Total	<u>69,078</u>	<u>100.0</u>	<u>80,540</u>	<u>100.0</u>	<u>163,508</u>	<u>100.0</u>	<u>55,159</u>	<u>100.0</u>	<u>58,114</u>	<u>100.0</u>

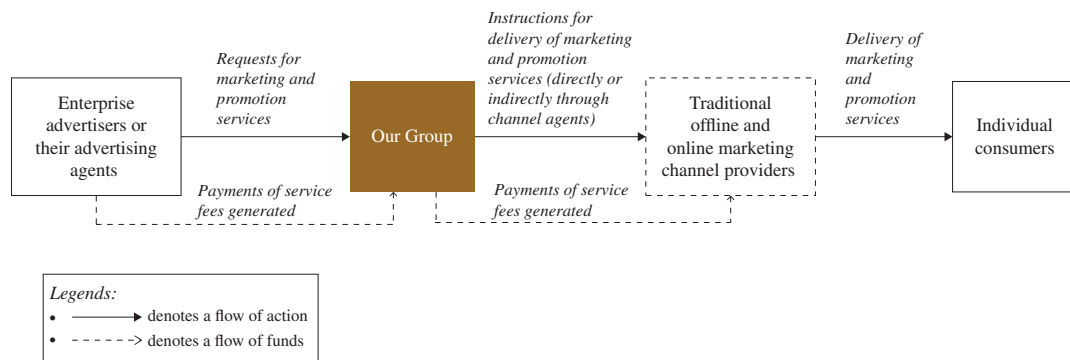
1A. Promotion and Advertising Services

In our promotion and advertising business, we seek to assist enterprise advertisers in acquiring and/or reactivating users through planning, launching and/or managing their marketing campaigns. Depending on the marketing channels of our services, this segment is further broken down into three sub-segments, namely, (i) traditional marketing and promotion services; (ii) advertisement placement services; and (iii) advertisement distribution services.

1A(i) Traditional Marketing and Promotion Services

In the light of the emerging opportunities in the internet, mobile technology and interactive entertainment industries, we began to provide traditional marketing and promotion services to enterprise advertisers (or their advertising agents) through a combination of marketing channels, including traditional offline channels (such as cold-calls, SMS and brick-and-mortar retail stores) and online channels (such as groups on WeChat and Tencent QQ), leveraging our marketing channel resources and comprehensive network of marketing channel providers amassed and built through our years of operation. For example, we have arranged to place promotional materials of our customer which is an audiobooks platform operator on an online reading platform. We have also promoted mobile apps and online entertainment platforms through promotion activities or posting of promotional materials at physical stores. Depending on the requests of our customers and the availability of human resources, such services maybe delivered directly by our staff or we may engage third-party channel agents to deliver the services.

Set forth below is a diagram which illustrates the business model of our traditional marketing and promotion services business:



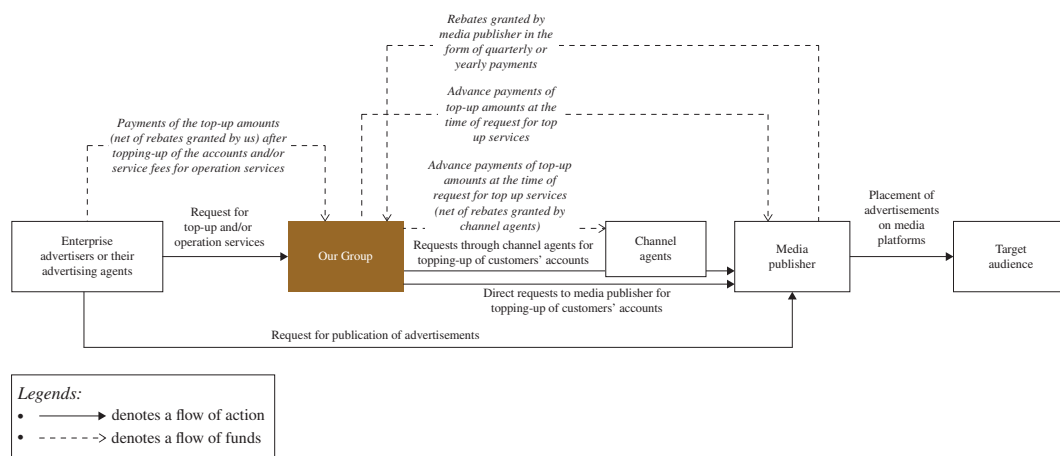
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1A(ii) Advertisement Placement Services

We expanded our promotion and advertising services by introducing our advertisement placement services in 2021. As an authorised service provider of the designated media publisher (being typically large-scale media platform operator), we connect enterprise advertisers with such media publisher by providing services in respect of opening of accounts on the media platform for placement of advertisements and/or top up services in respect of our customers’ accounts maintained with the media publisher, which would be used for the placement of their advertisements on such media platform. To enhance our competitiveness and establish customer loyalty, we also provide customer services to our customers in connection with their advertisement placement activities on the media platform. For examples, we may assist our customers to liaise with the media publisher in resolving technical issuers and refunds. Commencing from September 2021, we also provide operation services to our customers such as advising on advertisement placement strategy to optimise placement performance and/or preparing advertising materials to be placed on the media platforms.

Under our advertisement placement services, the media publisher may grant us rebates which was determined based on, among other things, its applicable rebate policies, the gross spending of our customers, the type of advertisement placed by our customers, and other discretionary incentive programs as set up by the media publisher. On the other hand, we would normally grant rebates to our customers at a certain percentage of their top-up accounts as an incentive for these customers to engage us for the services. Our customers shall pay to us the amounts for topping-up of their account(s), net of the rebates granted by us to our customers as agreed between the parties from time to time. On the other hand, we are required to transfer the top-up amounts to the media publisher or its agent. By consolidating the spending of our customers, we, as an intermediate marketing service provider, would normally be able to obtain a higher percentage of rebates from the media publisher than individual enterprise advertiser. In return, we would normally offer higher rebates to our customers if they top up their accounts through us. Accordingly, our customers would be able to lower their advertising costs by engaging us to provide advertisement placement services.

Set forth below is a diagram which illustrates the business model of our advertisement placement services business during the Track Record Period:



During the Track Record Period, our revenue under this business segment is recognised on a net-basis, which represents the surplus of (i) the net top-up amounts (after deducting the rebates granted to our customers, if any, which generally fell within the range of 1% to 12% of the top-up amounts of our customers) we received from our customers over (ii) the amounts paid by us to the media publishers or their channel agents (net of rebates from our suppliers, if any, which generally fell within the range of 2% to 14% of the top-up amounts of our customers). For advertisements placed on certain media platform, the rebate granted by our supplier to us can be up to the percentage of 35%, in which case we may grant rebate to our customer up to the percentage of 32%. For further details of the revenue recognition of our advertisement placement services, please refer to “Financial Information — Critical Accounting Policies, Estimates and Judgements — Revenue Recognition” in this document.

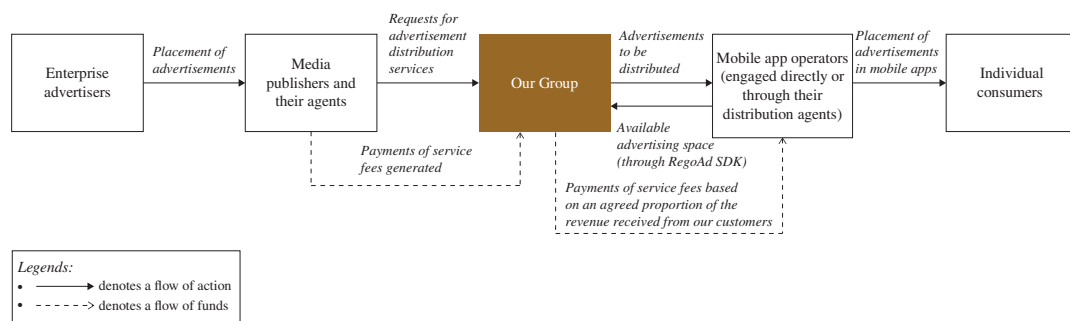
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1A(iii) Advertisement Distribution Services

Apart from acting as an agent of the enterprise advertisers, we also expanded our service offerings by introducing the advertisement distribution services in 2020. As an intermediate advertising service provider, we provide advertisement distribution services to media publishers (which are primarily large-scale media platform operators) or their agents, in their capacity as advertising agents of enterprise advertisers. Enterprise advertisers are the source of demand for advertisement distribution services in the value chain; to achieve user acquisition and/or reactivation purposes, enterprise advertisers may advertise their products and services on media publishers’ platforms, taking advantage of the media publishers’ resources and connections in the industry; as part of their service package, the media publishers may further distribute the advertisements to other platforms for display, in order to broaden and deepen the exposure and advertising reach of the enterprise advertisers. As an intermediate marketing service provider, we assist the media publishers (being our customers) to distribute the advertisements placed by the enterprise advertisers through advertising space in mobile apps selected by us, thereby permitting the media publishers to increase and, to the largest practicable extent, maximise the publicity the enterprise advertisers could gain.

Our RegoAd SDK can be embedded in such mobile apps to establish connections with them, and linked up with the advertising agents’ platforms and/or applications to form an advertisement distribution system. Utilising the built-in algorithm models, our RegoAd SDK serves to match the available mobile advertising space in the user interface of mobile apps against appropriate types of advertisements for their users; suitable advertisement contents from the advertising agents will be automatically arranged to be displayed in the fitting advertising space offered by the mobile app operators via the distribution channel (formed by our RegoAd SDK working in combination with advertising agents’ platforms and/or applications), taking into account our suggested matching criteria, without the need for any manual operation. By matching the advertisements to the appropriate mobile advertising space, we would be able to assist enterprise advertisers to optimise their advertising campaigns. The advertisements and their content are determined, placed and passed to us by advertising agents, including large-scale media platform operators or their agents, and not prepared by us; from their perspective, we are providing advertisement distribution services. We, at the same time, also enable mobile app operators to generate additional revenue through enhanced utilisation of their resources, i.e. their advertising space; in this sense, we assist the mobile app operators with “monetisation” of the user traffic they have created.

Set forth below is a diagram which illustrates the business model of our advertisement distribution services business:



Since the launch of our advertisement distribution services, we have been striving to expand our supplier base through establishing business collaboration with different mobile apps. The mobile app operators we worked with in our advertisement distribution business during the Track Record Period were mostly operators of financial services mobile apps. During the Track Record Period, our advertisement distribution services business was exposed to supplier concentration risks. In particular, approximately 96.6%, 85.0% and 97.8% of the revenue from our advertisement distribution services business recorded in FY2020, FY2021 and 4M2022, respectively, was generated from our collaboration with two financial services-related mobile apps. For details of our business collaboration with mobile app operators, please refer to the section headed “Business — Our Business Model — 1. Marketing and Promotion Services — 1A. Promotion and Advertising Services — 1A(iii) Advertisement Distribution Services (Delivered through Mobile App Operators) — Business Flow and Key Participants — Mobile app operators

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and distribution agents (as our suppliers)” in this document. If we fail to expand our supplier base or maintain our business relationships with these two mobile apps, the business operations of our advertisement distribution services business may be adversely affected. Please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — We rely heavily on our top customers and suppliers. If we fail to maintain our relationships with our top customers and suppliers, our financial condition, results of operations and prospects may be materially and adversely affected.” in this document for further details of such supplier concentration risks.

Revenue Model of our Promotion and Advertising Services

We adopt various different pricing policy for our promotion and advertising services. We typically charge our customers of traditional marketing and promotion services by CPA (cost per action, such as download, installation or registration by end users) or CPS (cost per sale) model. For our advertisement distribution service, our customers (being media publishers or their agents) primarily pay to us service fees determined with reference to a mix of performance parameters of the advertisement distribution services, including but not limited to impressions, clicks and/or CTR (i.e. combined performance parameters). The service fees under the traditional marketing and promotion services and advertisement distribution services are recognised as our revenue on a gross basis.

On the other hand, our revenue from the advertisement placement services is recognised on a net basis and represent the net amounts we received from our customers (net of rebates, if any) and the amounts paid by us to the media publishers (or their channel agents) (net of rebates, if any). Our suppliers, being the media publishers or their agents, may also grant us rebates on a quarterly and/or annual basis which are recorded as our revenue. For further details on the revenue model of our promotion and advertising services, please refer to the section headed “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — I. Revenue from Our Marketing and Promotion Services — (i) Promotion” in this document and Advertising Services — Revenue model for our promotion and advertising services.

Our business relationship with media publishers

Both our advertisement distribution services and advertisement placement services are centred around the business ecosystem of the major media publishers in the PRC. Under our advertisement distribution services, we primarily provide advertisement distribution services to media publishers and/or their advertising agents. In particular, the revenue directly attributable to Customer J (being a group company of a major media publisher in the PRC) under our advertisement distribution services amounted to approximately RMB13.7 million and RMB0.2 million in FY2021 and 4M2022, respectively, representing 12.7% and 0.6% of our revenue from advertisement distribution services and 6.2% and 0.3% of our total revenue for the respective year/period, respectively. To the best of our Directors’ knowledge, information and belief, a substantial part of the demand from other customers of our advertisement distribution services (who are advertising agents) was also generated from Customer J (or its group companies) and/or other major media publishers in the PRC which obtained our advertisement distribution services through these advertising agents. On the other hand, we also acquire advertisement placement services from media publishers and/or advertising agents. During FY2021 and 4M2022, substantially all of the gross purchase costs (which has been net-off from our gross revenue) of our advertisement placement services were directly, and indirectly through advertising agents, attributable to media publishers, with approximately 29.1% and 12.1% of our gross purchase costs attributable to Supplier W (or its group companies) and 70.1% and 87.5% of our gross purchase costs attributable to Supplier BB (or its group companies) for the respective year/period, respectively. As such, our advertisement distribution services and advertisement placement services may be affected by any unfavourable changes in the business and market conditions of the media publishers. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our advertisement distribution services and advertisement placement services are substantially connected with platforms operated by media publishers. Any adverse change in their business or our business relationship with them may have material and adverse impacts on our profitability and prospects.” in this document for further details.

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1.B Virtual Goods Sourcing and Delivery Services

We have sought to expand our scope of marketing services beyond promotion and advertising activities. The giving out of complimentary goods and services is considered an effective means for enterprises to incentivise purchases by new customers, and reward and build loyalty among existing customers. To this end, we launched our Rego Virtual Goods Platform in 2017. As part of our marketing and promotion services, we, as a to-B virtual goods provider, serve enterprises and primarily assist them in executing their user acquisition, engagement and/or retention strategies by sourcing a range of virtual goods and arranging for delivery to individual customers of the enterprises via our Rego Virtual Goods Platform. As opposed to to-C virtual goods providers which distribute, resell or operate retail channels of virtual goods directly to end consumers, we source and deliver virtual goods to enterprises and their agents for use in their business and marketing operations by connecting virtual goods suppliers across different industries with the enterprises in the value chain, and add value by providing our customers with an integrated offering of virtual goods at lower costs and increased ease of management.

In FY2019, FY2020, FY2021 and 4M2022, we generated revenue of RMB12.4 million, RMB45.3 million, RMB44.6 million and RMB15.7 million from our virtual goods sourcing and delivery services, representing approximately 18.0%, 56.2%, 27.3% and 27.0% of our revenue from marketing and promotion services in the corresponding periods. The growth in the revenue generated from our virtual goods sourcing and delivery services during the Track Record Period was mainly driven by the enhancement of our product offerings to our customers.

The table below sets forth a breakdown of revenue generated from our virtual goods sourcing and delivery services by type of virtual goods for the periods indicated:

	Year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Top-up for telecommunication services	9,366	75.5	17,320	38.2	18,128	40.6	6,406	49.4	6,535	41.6
Online vouchers and interests ^(Note 1)	2,986	24.1	25,788	56.9	17,721	39.7	3,564	27.5	6,344	40.4
Gift cards of gas stations	-	-	2,162	4.8	8,760	19.6	2,986	23.0	2,823	18.0
Others	56	0.4	21	0.1	20	0.1	8	0.1	2	0.0
Total	12,408	100.0	45,291	100.0	44,629	100.0	12,964	100.0	15,704	100.0

Note:

- We offer a wide spectrum of online vouchers and interests including but not limited to memberships of online entertainment platforms, gift cards of e-marketplaces, coffee vouchers, membership of online healthcare and medical services and packages combining various types of online vouchers and interests.

We recognised the revenue from the virtual goods sourcing and delivery services on a net basis whereby the purchase costs of the virtual goods, being the most significant cost item for our virtual goods sourcing and delivery services, have been deducted in arriving our revenue on net basis. Please refer to the section headed “Financial Information – Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue – 1. Revenue from our Marketing and Promotion Services” in this document for further details.

2. Our IT Solutions Services

Apart from marketing and promotion services, we have also been providing IT solutions services, which we consider to be closely associated with our principal marketing and promotion services business as our IT solutions services were mainly specific to the targeted industries for our marketing and promotion services, namely the mobile game industry and the lottery industry. Our Directors believe that our provision of IT solutions services is not only a means to attain business diversification through deployment of existing resources, but also serves the purposes of (1) increasing our penetration of the relevant marketing segments, by building closer relationships with the market players in the relevant industries, and deepening our insights into the relevant industries and understanding of the market player’s business needs; and (2) achieving synergies, by way of creating opportunities for collaboration with our customers of IT solutions services in broader business areas, and hence expansion of our marketing channels.

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2A. Mobile Game and Software Development and Maintenance Services

Leveraging our familiarity with the mobile game and software industry gained through provision of marketing and promotion services to mobile game operators over the years, and our knowhow and human resources in the area of research and development acquired while building the requisite systems for our marketing and promotion services business, we tapped into the mobile game and software development and maintenance services business in 2017. Our customers primarily engage us for the development of mobile game and software according to the requirements and/or specifications provided by them. In particular, we developed interactive online mobile games of different genres such as fishing, mahjong, poker and phonics. We have also, on a one-off basis, developed other software systems, such as customer relationship management system and customer order management system for operators in the relevant businesses. Our Directors consider that, through our involvement in the development of mobile games, we were able to offer marketing and promotion services that serve the needs of mobile games operators.

2B. Solutions on Lottery Related Software Systems and Equipment

We started to provide solutions on lottery-related software systems and equipment solutions as another form of IT solutions services in 2019, as we have been evaluating and exploring the possibilities to expand our marketing operations in the lottery industry and to convert the widespread lottery retail network in the PRC into our marketing channel. In 2020, we strategically acquired the entire share capital of Xi’an Tiantai, through which we had started to engage in the provision of integrated security access system and related equipment to provincial WLIACs. Specifically, our lottery security systems assist with internet access, video transmission, data collection and other areas through advanced encryption technology. With the aid of such security systems, provincial WLIACs can connect with their lottery sales points for information and data flows. As at the Latest Practicable Date, we had built business relationships with the provincial WLIACs in 23 provinces, municipalities and autonomous regions in the PRC covering over 97,000 lottery sales points.

Our Directors view our operations in the mobile game and software industry and the lottery industry as illustrations of our market penetration and business partner engagement strategies. In particular, our Directors regard our acquisition of Xi’an Tiantai as a significant move that will set us on track to penetrate the lottery marketing segment and engage in further business collaboration with lottery retail stores. Specifically, the research and development capabilities gained and the network built could lay the foundations for development of our SaaS enterprise marketing service platform with the participation of lottery retail stores, and create the potential for expansion of our retail lottery marketing channels; this serves as an example of how synergies may be generated. Our Directors remain positive that our provision of IT solutions services, as part of our business diversification process and overall marketing services development plan, could power the growth of our marketing and promotion services business and our Group as a whole in the longer term.

Risks of Disintermediation in Our Business

As an intermediate advertising service provider, we connect enterprise advertisers with marketing channel providers (in our traditional marketing and promotion services business), media publisher (in our advertisement placement services business) and mobile app operators (in our advertisement distribution services business) (collectively, the “**Promotion and Advertising Services Suppliers**”), directly or indirectly through their respective agents. Being an intermediate service provider, we are exposed to the inherent risk of disintermediation in our promotion and advertising services business, i.e. the situation where enterprise advertisers (and/or their advertising agents) and the Promotion and Advertising Services Suppliers (and/or their respective agents) dispense with, cease to engage and compete with intermediate advertising service providers (such as our Group) while transacting with each other directly. This is because the enterprise advertisers could theoretically furnish the advertising materials to and engage the Promotion and Advertising Services Suppliers directly, without enlisting our services. In particular, enterprise advertisers may open and top up their own accounts with the media publisher directly for placement of their advertisements on such media platform, and the platforms and/or applications of the media publishers (as advertising agents of enterprise advertisers) can be connected with mobile apps (provided that the mobile app operators have the requisite technical capacity) to form a channel for direct distribution of advertisements from the media publishers to the mobile apps. This means that the advertisement placement services and the advertisement distribution system of the media publishers are open to the enterprise advertisers and the mobile app operators respectively and accessible by them directly and not necessarily through any intermediate marketing service provider, permitting

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transactions to take place directly between the enterprise advertisers (and/or their advertising agents) and the relevant Promotion and Advertising Services Suppliers without going through us. In this sense, the Promotion and Advertising Services Suppliers could theoretically compete with us for business and acquire our customers. According to the iResearch Report, the marketing industry in the PRC is highly fragmented and there are a large number of online advertising agencies. Online advertising agencies usually connect advertisers with designated agents of advertising publishers, or directly connect them with advertising publishers. It is common and more cost-efficient for a large number of enterprises to conduct their marketing activities through intermediate advertising service providers. In 2021, there were more than 1 million corporates in advertising industry in China. As a result, competition is fierce in the advertising industry.

Further, our customers may also elect to develop their in-house marketing departments to conduct promotion and advertising activities on their own. For example, enterprise advertisers with a larger operating scale may establish their own marketing channels, and such enterprise advertisers may make arrangements with their advertising agents (i.e. media publishers) or mobile app operators for direct distribution of advertisements to the mobile apps. According to iResearch, companies with a large scale of operation tend to establish their own marketing team and may conduct marketing and promotion activities without engaging intermediate advertising services providers, and thus, disintermediation is not an uncommon occurrence. We cannot assure that our customers (including enterprise advertisers and their agents) will not adjust their marketing strategy in the future to conduct marketing and promotion activities on their own and cease to engage intermediate advertising services providers. For further details, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — If our customers transact with marketing channel providers/media publishers/mobile app operators directly or if they conduct promotion and advertising activities on their own, we may be exposed to the risk of disintermediation.” in this document.

There has not come to our attention any specific instance where our customers have ceased to transact with us and directly engaged the Promotion and Advertising Services Suppliers in our promotion and advertising services business. From 1 January 2022 and up to the Latest Practicable Date, we maintained on-going business relationship with our major customers in FY2021, who in aggregate contributed to 96.2% of our revenue from promotion and advertising services during FY2021. Our Directors believe that we play a meaningful role that adds value in the supply chain of promotion and advertising services. Specifically, (1) in relation to our traditional marketing and promotion services business, we have a comprehensive supplier network comprising to which enterprise advertisers might not easily be able to gain access on their own, and serve to increase the effectiveness and efficiency of the marketing campaigns by providing assistance in the planning and launch stages; (2) in our advertisement placement services business, our customers may enjoy greater flexibility in liquidity management using our account opening services and top-up services due to the payment arrangement made available to them by us, and receive a higher percentage of rebates than the media publisher would offer to them directly; we also provide value-adding customer support services and operation services; and (3) in respect of our advertisement distribution services business, the wide connectivity of our RegoAd SDK and the suite of support we are able to provide for the mobile app operators have permitted us to establish and maintain an extensive pool of mobile apps for executing advertisement distribution, giving us a competitive edge which could effectively secure our business relationships with the media publishers (as advertising agents of enterprise advertisers). Our Directors consider that the above, together with our service quality, provide sufficient incentives for our customers to continue employing our promotion and advertising services and help guard against disintermediation. For further details, please refer to the section headed “Business — Our Business Model — Risks of Disintermediation in Our Business” in this document.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

During the Track Record Period, our customers mainly comprised (i) enterprise advertisers and their advertising agents using our traditional marketing and promotion services; (ii) enterprise advertisers and their advertising agents engaging us for advertisement placement services; (iii) media publishers (as advertising agents) using our advertisement distribution services; (iv) enterprises and virtual goods procurement agents procuring virtual goods from us; and (v) mobile game operators, and welfare lottery centres and lottery sales points using our IT solutions services.

SUMMARY

Due to the different nature of the types of services we provide in our different business segments, we recognise our revenue either on a gross basis or on a net basis. The gross basis is adopted for our revenue from traditional marketing and promotion services, advertisement distribution services and IT solutions services, whereas the net basis applies in respect of our revenue from advertisement placement services and virtual goods delivery and sourcing services. For further details of the basis of our revenue recognition policies, please refer to the section headed “Financial Information — Critical Accounting Policies, Estimates and Judgements — Revenue Recognition” in this document, and note 4.13 to the Accountants’ Report. Based on our revenue recognition policies as discussed, for FY2019, FY2020, FY2021 and 4M2022, our five largest customers accounted for approximately 75.5%, 60.3%, 71.5% and 79.5% of our total revenue, while sales to our largest customer in each year/period during the Track Record Period amounted to approximately RMB33.1 million, RMB17.9 million, RMB91.7 million and RMB37.3 million, representing 37.0%, 15.8%, 41.8% and 52.8% of our total sales for the respective year/period.

To the best of the knowledge of our Directors, none of our Directors, their close associates, or our Shareholders who/which owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five customers during the Track Record Period at the relevant times.

For further details, please refer to the section headed “Business — Our Customers” in this document.

During the Track Record Period, our business had been substantially connected with the mobile game industry. In particular, during the Track Record Period, (i) approximately 79.5%, 53.2%, 8.7% and 28.8% of our revenue from our traditional marketing and promotion services business and our advertisement placement services business in FY2019, FY2020, FY2021 and 4M2022, respectively was generated from promotion and advertising services provided to and/or related to mobile games; (ii) 75.3%, 37.6%, 57.1% and 53.3% of our revenue from our virtual goods sourcing and delivery services business in FY2019, FY2020, FY2021 and 4M2022, respectively was generated from virtual goods provided to online game operators; and (iii) 57.6%, 100.0%, 84.4% and 49.9% of our revenue from our mobile game and software development and maintenance services business in FY2019, FY2020, FY2021 and 4M2022, respectively was derived from customers who were mobile game developers and/or operators. With the introduction of our advertisement placement services business and the growth in our provision of solutions on lottery-related software systems and equipment, as well as the expansion in our customer base, our reliance on customers from the mobile game industry has been gradually reduced during the Track Record Period. However, if there is any unfavourable change in the regulatory or business environment of the PRC mobile game industry, our business may still be adversely affected. Please also see the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our business has been substantially connected with the PRC mobile game industry. Any material change in the related laws and regulations or any adverse change in the business environment of the PRC mobile game industry may have a material adverse impact on our profitability and prospects.” in this document.

Synergies between Our Business Sub-segments

Our Directors believe that synergies had resulted from the parallel operations of our various business sub-segments during the Track Record Period. When we service our customers in any particular business sub-segment, we seek to demonstrate excellence and deliver our services to the satisfaction of our customers. It is our goal to inspire trust and confidence in relation to both our capabilities and dependability, such that the business relationships built with our customers in a particular business sub-segment could serve as the starting point for further engagements in our other business sub-segments, to the extent that such services could answer other business needs of the same customers. Therefore, during the Track Record Period, there were instances of cross-selling of our services under different business sub-segments to the same customers or groups of customers. Such customers included Customer Group A, Customer Group C, Customer Group E, Customer Group K and Customer N, each of whom had engaged us for the provision of traditional marketing and promotion services, mobile games and software development and maintenance services and/or virtual goods sourcing and delivery services during the Track Record Period. For further details, please refer to the section headed “Business — Our Customers” in this document.

During the Track Record Period, we had provided promotion and advertising services together with mobile game and software development and maintenance services to Customer A1 as a bundle to facilitate its acquisition of new users for its mobile game. For details, please refer to the section headed “Business — Our Customers — Major Customers — Our relationship with Customer Group A — Transactions between our Group and Customer Group A during the Track Record Period — 1. Transactions with Customer A1”, and “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — 2. Revenue from our IT Solutions Services

SUMMARY

— (i) Mobile Game and Software Development and Maintenance Services” in this document. Other than the above, there was no arrangement for provision of our marketing and promotion services and IT solutions services as a bundle to our customers during the Track Record Period.

Going forward, we see the potential for the strengthening of synergies among our multiple business sub-segments in the following manners, among others:

- we aim to further develop and operate our SaaS enterprise marketing service platform as a means to expand our marketing channels; leveraging our information technology capability and the access we have gained to the vast network of lottery sales points in the PRC through provision of solutions on lottery-related software systems and equipment, our SaaS enterprise marketing service platform will initially cover lottery retail stores. We intend to integrate and deploy our existing marketing channels and platforms to provide the lottery retail stores with a series of marketing and promotion services for user acquisition, engagement and/or retention purposes. Specifically, we will (i) assist the lottery retail stores with conducting marketing and promotion activities vis-à-vis lottery buyers on a mass scale via online channels; (ii) connect the mobile apps of lottery institutions to our relevant self-operated platforms, and increase their lottery buyer base and user traffic of their mobile apps through provision of our promotion and advertising services and virtual goods sourcing and delivery services; and (iii) connect the lottery retail stores to our relevant self-operated platforms to enhance their operational efficiency in areas such as lottery buyer management. We therefore stand to expand our marketing operations in the lottery industry in the PRC, which will create opportunities for cross-selling of our marketing and promotion services and IT solutions services to the relevant marketing participants. For further details, please refer to the section headed “Business — Our Business Strategies — Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels” in this document; and
- we will endeavour to promote our advertisement distribution services to enterprise advertisers engaging our advertisement placement services. By cross-selling our advertisement distribution services and advertisement placement services, we will not only arrange for the advertisements of enterprise advertisers to be published and displayed on the online platforms operated by the media publishers, but also connect the enterprise advertisers with mobile app operators and cause their advertisements to be distributed to fitting mobile apps through our RegoAd SDK. We could therefore facilitate the effective reaching of target audience by our customers contemporaneously through dual means.

Our Suppliers

During the Track Record Period, our suppliers mainly comprised (i) channel agents and marketing channel providers offering advertising space and services, in our traditional marketing and promotion services and advertisement placement services; (ii) distribution agents and mobile app operators offering advertising space in their apps where advertisement contents can be displayed, in our advertisement distribution services; (iii) virtual goods suppliers supplying virtual goods including various electronic top-up coupons and gift coupons; and (iv) IT development companies providing lottery system products for our lottery-related software systems and equipment solutions.

As discussed in “Our Customers” in this section, our revenue derived from the services we provide in our several business segments are recognised either on a gross basis or a net basis. In respect of our advertisement placement services and virtual goods delivery and sourcing services where the net basis is adopted, the amounts payable to our suppliers (i.e. market channel providers or channel agents, and virtual goods suppliers, respectively) are set off against the amounts receivable from our customers (i.e. enterprise advertisers or advertising agents, and enterprises or virtual goods procurement agents, respectively); we report the net amount as our revenue and no purchase is recorded. Based on such revenue recognition policies, for FY2019, FY2020, FY2021 and 4M2022, our five largest suppliers accounted for approximately 74.2%, 65.1%, 74.2% and 83.3% of our total purchases, while purchases from our largest supplier in each year/period during the Track Record Period amounted to approximately RMB16.4 million, RMB12.6 million, RMB68.5 million and RMB26.1 million, representing 36.8%, 33.9%, 62.6% and 76.8% of our total purchases for the respective year/period.

To the best of the knowledge of our Directors, none of our Directors, their close associates, or our Shareholders who/which owned more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our top five suppliers during the Track Record Period at the relevant times.

For further details of our suppliers, please refer to the section headed “Business — Our Suppliers” in this document.

SUMMARY

Summary of our Business Model

The following table sets forth a summary of the scope of services, year of commencement of services, major marketing channels, types of customers and suppliers, the major pricing model, revenue and cost composition, accounting treatment of revenue recognition and key operating indicators.

Scope of services provided by our Group	1. Marketing and promotion services			2. IT solutions services		
	1A. Promotion and advertising services			2A. Mobile games and software development and maintenance services		
	1A(i). Traditional marketing and promotion services	1A(ii). Advertisement placement services	1A(iii). Advertisement distribution services	1B. Virtual goods sourcing and delivery services	2B. Solutions on lottery related software systems and equipment	Year of commencement of services
	Planning, launching and/or managing marketing campaign to assist our customers to acquire and/or reactivate users of their services	Account opening services on online platform operated by certain large-scale media publisher for placement of advertisements and/or top-up services to these customers' accounts ^(Note 1)	Distributing and matching the advertisements placed by our customers with the available mobile advertising space provided by our suppliers through RegoAd SDK and the platforms and/or applications of our customers	Sourcing and delivery of virtual goods through the Rego Virtual Goods Platforms	Providing solutions (including development, assembly, installation and/or maintenance services) on lottery related software systems and equipment, including information security systems, software systems and equipment, outlets management platform services and equipment maintenance and after-sale services	2015
Major marketing channels	Social media marketing, telemarketing and offline marketing	Advertising spaces on platforms operated by large scale media publisher	Advertising spaces in mobile apps	N/A	N/A	2017
Customers	Enterprise advertisers (such as operators of mobile games and online entertainment platforms) and their advertising agents	Enterprise advertisers and their advertising agents	Media Publishers (as advertising agents) and their agents	Enterprises and/or their virtual goods procurement agents	Mobile games operators and other enterprises which require software systems in operating their businesses	2019

SUMMARY

	1. Marketing and promotion services			2. IT solutions services	
	1A. Promotion and advertising services			2A. Mobile games and software development and maintenance services	2B. Solutions on lottery related software systems and equipment
	1A(i). Traditional marketing and promotion services	1A(ii). Advertisement placement services	1A(iii). Advertisement distribution services	1B. Virtual goods sourcing and delivery services	
Suppliers	Marketing channel providers and channel agents	Large scale media publisher and/or its agents	Mobile app operators and their distribution agents	Virtual goods providers	Suppliers of components, finished products and/or services for lottery related software systems and equipment
Major pricing model between our Group and our customers	CPA and CPS	The required top-up amounts net of a certain percentage of rebates	A mix of performance parameters of the advertisement distribution services, including but not limited to, impressions, clicks, CTR and/or CPM	Based on the unit price of the virtual goods to be supplied	Fixed fees
Revenue composition	Service fees paid by our customers for the marketing and promotion services provided	Net amounts received by us from our customers and the amounts paid by us to our suppliers (net of rebates) ^(Note 1)	Service fees paid by our customers for the advertisement distribution services	Net amounts received from our customers and the amounts paid by us to our suppliers ^(Note 2)	Project fees paid by our customers for the software systems and equipment and related maintenance services
Accounting treatment of revenue recognition	Gross basis	Net basis ^(Note 1)	Gross basis	Net basis ^(Note 2)	Gross basis
Major composition of cost of sale	Traffic acquisition costs payable to suppliers	Labour costs ^(Note 1)	Traffic acquisition costs payable to suppliers	Labour costs ^(Note 2)	Components, finished products and/or services for lottery related software systems and equipment
Key operating indicators	Impressions, Conversion rates	Customers' spending	Impressions, Clicks, Fill rate	GMV, Number of transactions	Number of projects, Total contract sum

SUMMARY

Notes:

- (1) Our revenue from advertisement placement services was recognised on a net basis during the Track Record Period, with the amounts paid to the media publishers and their agents (being the most significant cost item of such services) have been deducted in arriving our revenue from the advertisement placement services. The labour costs mainly represent the salaries and benefits to our staff which are directly associated with the provision of our advertising placement services.
- (2) Our revenue from virtual goods delivery and sourcing services was recognised on a net basis during the Track Record Period. Accordingly, procurement costs of virtual goods (being the most significant cost item of such services) have been deducted in arriving our revenue from the virtual goods delivery and sourcing services.
- (3) As mobile games and software development and maintenance services are mainly provided by our employees, there are generally no suppliers for this business segment.

SUMMARY

COMPETITIVE STRENGTHS

We have attained substantial growth in our scale of operation and financial performance during the Track Record Period and we believe the following competitive strengths have contributed to our success: (i) we have diversified marketing channels and resources to meet different marketing needs of our customers, including, among others, collaborations with prominent media platforms; (ii) our business is characterised by a high degree of versatility, as reflected by our capability to strategically shape our development strategy and business operations such that we could adapt well to the external environment; (iii) as a marketing service provider, we are capable of providing IT solutions services to market players in other industries, which could enable us to penetrate the relevant marketing segments and create synergies by setting the scene for collaboration in broader business areas; (iv) we offer a wide variety of virtual goods to satisfy different needs of enterprises in acquiring, engaging and retaining individual customers; (v) we have advanced information technology capability and are able to develop apposite software development tools and user interfaces in support of our business development; (vi) we are well-positioned to gain access to the vast and widespread network of lottery sales points in the PRC for the purpose of our marketing and promotional activities, as a result of our provision of IT solutions services in the lottery industry; and (vii) we have a dedicated, insightful and visionary management team. For further details, please refer to the section headed “Business – Our Competitive Strengths” in this document.

BUSINESS STRATEGIES

To continue to expand our business in the rapidly changing and growing marketing services industry in the PRC and to further the accomplishment of our business objectives, we intend to pursue the following strategies: (i) developing and expanding our online marketing channels and resources for our marketing and promotion services; (ii) further developing and expanding our supplier base and types of virtual goods on offer; (iii) acquiring companies in marketing and related industries; and (iv) developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels. For further details, please refer to the section headed “Business – Our Business Strategies” in this document.

SHAREHOLDERS INFORMATION

As at the Latest Practicable Date, Tanshin Investments (a company wholly owned by Mr. Tian), Vicen Investments (a company wholly owned by Mr. Chen) and Sprus Investments (a company wholly owned by Mr. Zhang) beneficially owned 60%, 25% and 15% of the issued share capital of our Company, respectively. On 22 October 2021, Mr. Tian, Mr. Chen and Mr. Zhang entered into the Acting-in-Concert Agreement, pursuant to which Mr. Tian, Mr. Chen and Mr. Zhang confirmed that they had been acting in concert since 14 July 2017 when they started to own the equity interest of Hangzhou Rego in proportions of 60%, 25% and 15%, respectively, directly or indirectly and undertook to vote unanimously for any resolutions proposed at board meetings and shareholder meetings of our Group upon the signing of the Acting-in-Concert Agreement. Please see “History, Development and Reorganisation – Common Control by Acting-in-Concert Agreement” in this document for further details about the Acting-in-Concert Agreement. By virtue of the Acting-in-Concert Agreement, Tanshin Investments, Vicen Investments and Sprus Investments are collectively entitled to exercise voting rights of 100% of the issued share capital of our Company. As such, Mr. Tian, Mr. Chen and Mr. Zhang, Tanshin Investments, Vicen Investments and Sprus Investments are our Controlling Shareholders as at the date of this document.

Immediately following completion of the [REDACTED] and the [REDACTED], and assuming the [REDACTED] is not exercised, Tanshin Investments, Vicen Investments and Sprus Investments will collectively be entitled to exercise voting rights of approximately 75% of the issued share capital of our Company. Accordingly, Mr. Tian, Mr. Chen and Mr. Zhang, Tanshin Investments, Vicen Investments and Sprus Investments will continue to remain as our Controlling Shareholders.

KEY FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated financial information for the Track Record Period, which was extracted from the Accountants’ Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information has been prepared in accordance with HKFRS.

SUMMARY

Summary of Consolidated Statements of Profit or Loss

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	89,372	113,040	219,549	63,794	70,719
Cost of sales	(44,677)	(37,166)	(109,343)	(31,342)	(34,021)
Gross profit	44,695	75,874	110,206	32,452	36,698
Other income and other gains or losses	4,031	8,175	7,373	1,221	1,520
Provision for impairment losses on financial assets	(100)	(1,442)	(3,973)	(4,725)	(1,081)
Gain on disposal of subsidiaries	139	525	–	–	–
Selling and distribution expenses	(3,844)	(4,931)	(9,561)	(1,895)	(3,287)
Administrative expenses	(9,830)	(12,507)	(13,900)	(4,300)	(4,377)
Research and development expenses	(7,834)	(9,365)	(18,611)	(5,116)	(4,781)
[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(82)	(353)	(674)	(177)	(376)
Profit before income tax	27,175	49,891	57,230	14,474	22,945
Income tax expense	(1,231)	(4,416)	(7,245)	(2,573)	(3,188)
Profit for the year/period	<u>25,944</u>	<u>45,475</u>	<u>49,985</u>	<u>11,901</u>	<u>19,757</u>
Attributable to:					
Equity owners of our Company	26,416	45,779	49,985	11,901	19,757
Non-controlling interests	(472)	(304)	–	–	–
Profit for the year/period	<u>25,944</u>	<u>45,475</u>	<u>49,985</u>	<u>11,901</u>	<u>19,757</u>

Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use the adjusted profit under non-HKFRS measures, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit under non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of such non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under HKFRSs.

We defined adjusted net profit under non-HKFRS measure as profit for the year adjusted by adding the [REDACTED] which was incurred for the purpose of the [REDACTED] and will not exist after [REDACTED]. The following table reconciles our adjusted net profit under non-HKFRS measures presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period	25,944	45,475	49,985	11,901	19,757
Add: [REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit under non-HKFRS measures	<u>25,944</u>	<u>51,560</u>	<u>63,615</u>	<u>14,887</u>	<u>21,128</u>

SUMMARY

Revenue

For FY2019, FY2020, FY2021 and 4M2022, we recorded revenue of RMB89.4 million, RMB113.0 million, RMB219.5 million and RMB70.7 million, respectively.

Marketing and promotion services constitute our core business segment contributing over 70.0% of our revenue throughout the Track Record Period. While we have been focusing on the provision of marketing and promotion services throughout the Track Record Period, we have been adjusting and upgrading our services through an expansion of the scope of marketing and promotion services provided by us. In particular, we recorded a significant growth in our virtual goods sourcing and delivery services. Revenue from our virtual goods sourcing and delivery services had increased from RMB12.4 million for FY2019 to RMB44.6 million for FY2021. In addition, we have also been adjusting our strategy in conducting our promotion and advertising services. We primarily provided traditional marketing and promotion services when we tapped into the marketing and promotion industry. As our business under the traditional marketing and promotion services are primarily project-based, the demand for our services can be significantly affected by changes in the market conditions of, or the marketing need of, individual enterprise advertisers or the specific industries to which these enterprise advertisers belong and the resources accumulated, such as connections with suppliers and marketing channel providers, may not be transferrable to marketing and promotion services for advertisers of other industries and other types of products. Accordingly, we are of the view that, with the introduction of the advertisement placement services and advertisement distribution services, we would be able to diversify and enhance the stability and continuity of our business. Going forward, we will continue to develop our advertisement placement services and advertisement distributions services while remain watchful of opportunities for traditional marketing and promotion services.

On the other hand, during the Track Record Period, we have gradually shifted the focus of our IT solutions services from mobile games and software development and maintenance services to solutions on lottery-related software systems and equipment, primarily due to the changing market environment of the mobile game industry as a result of regulatory uncertainties in recent years. We are of the view that, the development of our IT solutions services in connection with the lottery industry would be able to support the future growth of our business. For details, please refer to the section headed “Business — Our Business Model — 2. IT Solutions Services” in this document.

Our Directors consider the fluctuations in the revenue contribution of our different business segments during the Track Record Period were mainly resulted from the evolution of our services, which was mainly driven by the changing market ecosystem of the PRC advertising industry.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of gross profit and gross profit margin of our Group by business segment during the Track Record Period:

	For the year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Marketing and promotion services										
Promotion and advertising services										
- Traditional marketing and promotion services	19,780	34.9	7,695	45.9	2,984	63.2	2,405	72.4	499	28.2
- Advertisement placement services	-	-	-	-	3,447	55.3	422	77.3	1,697	68.4
- Advertisement distribution services	-	-	4,843	26.2	32,641	30.2	12,449	32.5	10,915	28.6
Virtual goods sourcing and delivery services	12,174	98.1	43,724	96.5	43,094	96.6	12,615	97.3	15,146	96.4
Sub-total/overall	31,954	46.3	56,262	69.9	82,166	50.3	27,891	50.6	28,257	48.6

SUMMARY

	For the year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
IT solutions services										
Mobile game and software development and maintenance services	11,300	63.3	5,020	63.2	7,795	69.1	3,080	68.4	4,851	68.5
Solutions on lottery related software systems and equipment	130	11.6	14,018	58.4	19,857	44.7	1,332	33.4	3,545	64.7
Sub-total/overall	11,430	60.2	19,038	59.6	27,652	49.7	4,412	52.0	8,396	66.8
Others ^(Note)	1,311	100.0	574	100.0	388	100.0	149	100.0	45	100.0
TOTAL/OVERALL	44,695	50.0	75,874	67.1	110,206	50.2	32,452	50.9	36,698	51.9

Note: Others represent gross profit generated from the commissions from our sale of lottery tickets through offline shops. The gross profit margin for such business is 100% because we recorded such income on a net basis and the relevant rentals and labour costs are recorded in our selling and distribution expenses.

Our gross profit margin increased from 50.0% in for FY2019 to 67.1% for FY2020 primarily due to the increase in the revenue contribution of our virtual goods sourcing and delivery services which has a relatively higher gross profit margin as the revenue from this business segment was recognised on a net-basis. Our gross profit margin fell back to 50.2% in FY2021, primarily due to the increase in the revenue contribution of our advertisement distribution services which had a lower gross profit margin as compared to our other business segments. Our gross profit margin increased slightly from 50.9% for 4M2021 to 51.9% in 4M2022 mainly attributable to the increase in the gross profit margin of our solutions on lottery related software systems and equipment.

Costs of Sale

During the Track Record Period, our cost of sales primarily consists of (i) traffic acquisition cost; (ii) cost of goods sold and (iii) employee benefit expenses. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Traffic acquisition costs										
Social media ^(Note 1)	34,182	76.5	6,710	18.1	-	-	-	-	-	-
Mobile apps ^(Note 2)	-	-	12,897	34.7	74,445	68.1	25,680	81.9	27,708	81.4
Others ^(Note 3)	1,301	2.9	1,981	5.3	1,445	1.3	809	2.6	312	0.9
	35,483	79.4	21,588	58.1	75,890	69.4	26,489	84.5	28,020	82.3
Cost of goods sold	992	2.3	8,621	23.2	17,778	16.3	1,297	4.1	375	1.1
Employee benefit expenses	8,191	18.3	3,898	10.5	7,721	7.1	1,950	6.2	3,920	11.5
Research and technical service costs	-	-	1,529	4.1	3,377	3.1	377	1.2	326	1.0
Others	11	0.0	1,530	4.1	4,577	4.1	1,229	4.0	1,380	4.1
TOTAL	44,677	100.0	37,166	100.0	109,343	100.0	31,342	100.0	34,021	100.0

Notes:

- (1) The social media adopted by us as marketing and advertising channels mainly include Wechat and Tencent QQ.
- (2) We conducted our advertisement distribution services through advertising spaces on mobile apps.
- (3) Others mainly include telemarketing and offline marketing channels.
- (4) As our revenue from advertisement placement services is recognised on a net basis, the fees paid by us to our suppliers (being media publishers or their agents) were deducted from the payment received by us from our customers. Therefore, no acquisition costs were recorded for our advertisement placement services.

SUMMARY

Traffic acquisition costs was the largest component of our costs of sale during the Track Record Period. In FY2019, our traffic acquisition costs mainly represent our payment to suppliers for traffic on different social media platforms for the provision of traditional marketing and promotion services mainly to our customers who are online games operators. Following the shift of our business focus away from the online game industry due to regulatory uncertainties and the commencement of our advertisement distribution services, a substantial part of our traffic acquisition costs was attributable to our payment to suppliers (i.e. mobile apps operators and their channel agents) for traffic on mobile apps, representing 34.7%, 68.1% and 81.4% of our costs of sale in FY2020, FY2021 and 4M2022, respectively. Accordingly, the fluctuations in the major channels associated with our traffic acquisition costs were in line with the development of our promotion and advertising services during the Track Record Period.

Profit for the year/period

We recorded an increase in our net profit during the Track Record Period. Our profit increased from RMB25.9 million in FY2019 to RMB45.5 million for FY2020 mainly due to (i) the increase in our revenue from RMB89.4 million for FY2019 to RMB113.0 million for FY2020; and (ii) the decrease in our cost of sales from RMB44.7 million for FY2019 to RMB37.2 million for FY2020. Our profit further increased from RMB45.5 million for FY2020 to RMB50.0 million for FY2021 mainly due to the increase in our revenue from RMB113.0 million for FY2020 to RMB219.5 million for FY2021, which was partially offset by (i) the increase in our cost of sales from RMB37.2 million for FY2020 to RMB109.3 million for FY2021; and (ii) the increase in our selling and distribution expenses, research and development expenses and [REDACTED]. Our net profit increased from RMB11.9 million in 4M2021 to RMB19.8 million in 4M2022 mainly due to the increase in our revenue by RMB6.9 million and the decrease in our [REDACTED] by RMB1.6 million in 4M2022 as compared to 4M2021.

Selected Data from the Consolidated Statements of Financial Position

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current assets	10,237	38,079	34,906	33,458
Intangible assets	3,326	21,089	19,376	18,193
Property, plant and equipment	2,441	2,648	1,188	923
Goodwill	4,210	14,342	14,342	14,342
Current assets	68,028	116,232	200,153	223,224
Trade receivables	14,077	38,954	82,189	132,981
Prepayment, deposits and other receivables	11,245	38,649	50,009	56,691
Cash and cash equivalents	42,346	32,062	61,475	25,408
Total assets	78,265	154,311	235,059	256,682
Current liabilities	20,479	51,089	128,697	130,332
Trade payables	5,412	9,545	40,525	32,648
Other payables and accruals	8,264	17,436	27,895	35,766
Bank borrowings	–	10,370	21,100	42,000
Non-current liabilities	70	571	459	639
Deferred tax liabilities	–	496	412	384
Total liabilities	20,549	51,660	129,156	130,971
Net current assets	47,549	65,143	71,456	92,892
Net assets	57,716	102,651	105,903	125,711

As at 31 December 2019, 2020 and 2021 and 30 April 2022, we recorded current assets of RMB68.0 million, RMB116.2 million, RMB200.2 million and RMB223.2 million, respectively. Such increase was mainly attributable to the increase in our trade receivables, prepayment, deposits and other receivables and cash and cash equivalents as a result of our business growth. We also recorded an increase in our current liabilities during the Track Record

SUMMARY

Period. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we recorded current liabilities of RMB20.5 million, RMB51.1 million, RMB128.7 million and RMB130.3 million, respectively. The increase in our current liabilities was mainly attributable to the increase in our trade payables, other payables and accruals and bank borrowings, which was in line with our business growth. We recorded net current assets of RMB47.5 million, RMB65.1 million, RMB71.5 million and RMB92.9 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Such increase was mainly due to the increase in our (i) trade receivables; (ii) prepayments, deposits and other receivables; and (iii) cash and cash equivalent resulted from the growth of our business during the Track Record Period. Our net assets increased from RMB57.7 million as at 31 December 2019 to RMB102.7 million as at 31 December 2020 mainly due to our profit generated in FY2020 which resulted in an increase in our retained earnings. Our net assets further increased to RMB105.9 million as at 31 December 2021 primarily attributable to our profit generated in FY2021 which resulted in a further increase in our retained earnings, which was partially offset by the decrease in other reserves of RMB46.8 million resulted from the deemed disposal of Zhejiang Runye. For details, please refer to the section headed “History, Development and Reorganisation — Reorganisation for [REDACTED] — 5. Subsequent Termination of Zhejiang Runye’s Contractual Arrangements” in this document. Our net assets further increased by RMB19.8 million to RMB125.7 million as at 30 April 2022 which was primarily attributable to the increase in our retained earnings from our profit for the period in 4M2022.

Selected Data from the Consolidated Statements of Cash Flows

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

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating cash flow					
before working capital changes	31,013	52,484	66,088	21,025	25,936
– Net change in working capital	242	(35,955)	(35,210)	(50,120)	(80,115)
– Interest received	75	156	249	102	65
– Income tax paid	(142)	(725)	(4,542)	(1,338)	(2,326)
Net cash generated from/(used in) operating activities	31,188	15,960	26,585	(30,331)	(56,440)
Net cash used in investing activities	(4,804)	(21,519)	(7,221)	(113)	(151)
Net cash generated from/(used in) financing activities	695	(4,725)	10,049	10,196	20,524
Net increase/(decrease) in cash and cash equivalents	27,079	(10,284)	29,413	(20,248)	(36,067)
Cash and cash equivalents at beginning of the year	15,267	42,346	32,062	32,062	61,475
Cash and cash equivalents at end of the year	42,346	32,062	61,475	11,814	25,408

SUMMARY

Our net cash generated from operating activities decreased from RMB31.2 million in FY2019 to RMB16.0 million in FY2020 mainly because of the increase in advance to our suppliers of virtual goods sourcing and delivery services. Our net cash generated from operating activities increased from RMB16.0 million in FY2020 to RMB26.6 million in FY2021 mainly attributable to the increase in our profit before income tax. We recorded net cash used in operating activities of RMB30.3 million during 4M2021, which was mainly attributable to the increase in our advances to suppliers and our trade receivables. During 4M2022, we recorded net cash used in operating activities of RMB56.4 million which was mainly attributable to (i) the increase in our trade receivables as at 30 April 2022 as a result of the delays in settlement of trade receivables by some of our customers based in and/or operated in provinces severely affected by the Resurgence of the COVID-19 pandemic in early 2022. For details, please refer to the paragraphs headed “— Recent developments and no material adverse change — Recent Resurgence of the COVID-19 pandemic” in this section; and (ii) cash used in the settlement of our amounts due to related parties during 4M2022. On the other hand, during FY2019, FY2020, FY2021 and 4M2022, we recorded net cash used in investing activities of RMB4.8 million, RMB21.5 million, RMB7.2 million and RMB151,000, respectively, which were mainly arising from our acquisition and disposal of subsidiaries, wealth management products and intangible assets. We recorded a higher net cash used in investing activities in FY2020 mainly because our cash used of RMB14.1 million in the acquisition of Xi’an Tiantai in July 2020 and purchase of intangible assets in FY2020.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the year indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
Gross profit margin	50.0%	67.1%	50.2%	51.9%
Net profit margin	29.0%	40.2%	22.8%	27.9%
Adjusted net profit margin under non-HKFRS measures	29.0%	45.6%	29.0%	29.9%
	As at 31 December			As at 30 April
	2019	2020	2021	2022
Liquidity ratios				
Current ratio	3.3 times	2.3 times	1.6 times	1.7 times
Quick ratio	3.3 times	2.2 times	1.5 times	1.7 times
Capital adequacy ratios				
Gearing ratio	9.2%	14.8%	46.1%	37.8%
Debt-to-equity ratio	N/A	N/A	N/A	17.6%

Note: Please refer to the section headed “Financial Information — Key Financial Ratios” in this document for the definitions of the financial ratios set forth in the table above.

Our gross profit margin was relatively stable at 50.0% and 50.2% for FY2019 and FY2021, respectively. Our increase in the gross profit margin in FY2020 was mainly due to the increase in revenue contribution of our virtual goods sourcing and delivery services which has a higher gross profit margin. Our gross profit margin fell back to 50.2% in FY2021, primarily due to the increase in the revenue contribution of our advertisement distribution services which had a lower gross profit margin as compared to our other business segments. The changes in our adjusted net profit margin under non-HKFRS measures during the Track Record Period were in line with the changes in our gross profit margin. Our gross profit margin increased to 51.9% in 4M2022 which was mainly due to the increase in the gross profit margin of our solutions on lottery related software systems and equipment attributable to one of our projects relating to the development of a lottery sale points security supervision platform for a provincial WLIAC during 4M2022 which had a relatively higher profit margin as the relevant services were predominantly provided by our own employees without incurring significant cost of sale.

SUMMARY

Our gearing ratio increased from 9.2% as at 31 December 2019 to 14.8% as at 31 December 2020, primarily due to the increase in total debts as at respective dates attributable to increase in our bank borrowings in FY2020 following the acquisition of Xi'an Tiantai. The gearing ratio further increased to 46.1% as at 31 December 2021, primarily due to the increase in our total debts as a result of the increase in our amounts due to related parties and bank borrowings as at 31 December 2021 as compared to that in 2020. Our gearing ratio decreased from 46.1% as at 31 December 2021 to 37.8% as at 30 April 2022 mainly due to the increase in our total equity from RMB105.9 million as at 31 December 2021 to RMB125.7 million as at 30 April 2022.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Development of PRC Laws and Regulations Relating to Internet Information Security

On 14 November 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) published the draft Administration Regulations on Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Internet Data Security Regulations**”) which provides that, among others, an application for cyber security review shall be made by any entity which is regarded as a “data processing operator” if such entity (i) is an internet platform operator which is in possession of a large amount of information related to national safety, economic development and public interests which is undergoing merger, restructuring or separation or otherwise affect or might affect national security; (ii) processes personal information of more than 1 million users and is contemplating an overseas listing; (iii) is contemplating a listing in Hong Kong and will or might affect national security; or (iv) undertaking any data processing activities which will or might affect national security. Further, pursuant to the Cybersecurity Review Measures (《網絡安全審查辦法》) (together with the Draft Internet Data Security Regulations, the “**Cybersecurity Regulations**”) which became effective from 15 February 2022, internet platform operators possessing personal information of more than one million users who are applying for overseas listing are subject to cybersecurity review by the Office of Cybersecurity Review.

In conducting our virtual goods sourcing and delivery business, we would obtain personal information of the end users, such as their phone numbers and/or stored value card numbers, from our customers for the purpose of topping-up of the relevant accounts of the end users. According to our PRC Legal Advisors, as we are involved in storage and deletion of data of the end users of our virtual goods sourcing and delivery business, it is likely that we would be treated as a data processing operator under the Draft Internet Data Security Regulations. Our PRC Legal Advisors further advised that, despite that we may be treated as a data processing operator, it is unlikely that we would be required to undergo a cybersecurity review for the proposed [REDACTED] as we did not fall under any one of the situations which necessitates a cybersecurity review under the Cybersecurity Regulations, given that (a) the platforms used by us in our business operations were not opened for access by the end users or the public; accordingly, our platforms were internal business management platforms of our Group by nature, and we do not fall within the scope of “internet platform operator”; (b) the [REDACTED] is not an “overseas listing” under the Cybersecurity Regulations as “overseas listing” therein refers to listing outside China; (c) it is unlikely that the [REDACTED] in Hong Kong will or might affect national security because (i) our business mainly involved provision of general marketing services for enterprise advertisers and not directly to end consumers, and the corporate information obtained by us did not involve relevant national or government information and was unlikely to constitute national core data; (ii) the data stored and kept by our Group were stored in a state-supervised data centre, and there was no issue of provision or leakage of information to overseas individuals or entities; and (iii) the personal information possessed by our Group was stored and used solely for the purpose of providing top-up or virtual goods delivery services to our relevant customers; and (d) pursuant to an interview with the Director of the Office of Cyberspace Affairs Commission of the Fuyang District Committee of the Chinese Communist Party (中共富陽區委網絡安全和信息化委員會辦公室), being a competent authority to confirm on matters related to cybersecurity, on 31 March 2022 (the “**CAC Interview**”), as (i) listing in Hong Kong is not an overseas listing under the Cybersecurity Regulations; (ii) the Group is not an “internet platform operator”; and (iii) the [REDACTED] is unlikely to affect national security, the [REDACTED] would not be subject to cybersecurity review. In addition, our Group processed on average around 30,000 units of data per day contained in the orders received in our business operations (including mobile phone numbers (for mobile phone credit top-up services and other virtual goods delivery services), card numbers of oil station cards (for oil station cards top-up services), names and identity card numbers (for lottery ticket delivery services, which we had ceased to provide as at the Latest Practicable Date), and the respective top-up times and amounts); such order data

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would be retained in our computer systems for seven days and automatically cleared afterwards; hence, our computer systems constantly stored an aggregate of approximately 210,000 units of order data, which fell below the relevant threshold specified in the Cybersecurity Regulations. Taking into account the views and advice of our PRC Legal Advisors, our Directors believe, and the Sole Sponsor concurs, that the Cybersecurity Regulations, if implemented in their current form, are unlikely to give rise to any material impediment to the [REDACTED] from the compliance perspective. We will maintain ongoing communication with the PRC government authorities regarding the latest development of and requirements under the Cybersecurity Regulations and any other applicable new regulations and take necessary measures in a timely manner.

We have put in place appropriate internal procedures to safeguard the information and data obtained by us including prevention of unauthorised access and regular review of system security and data cleaning. To the best of the knowledge of our Directors, our customers have informed the relevant individual users that their personal information may be provided to third party(ies) (such as our Group) for the purpose of service delivery and obtained their consent in this connection. Our PRC Legal Advisors are of the opinion that given that our customers had obtained the necessary consent from respective individual users, the custody and storage of such user data by us did not violate applicable laws and regulations in the PRC in all material respects during the Track Record Period. For details, please refer to the section headed “Business — Data Privacy and Security” in this document. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material incident of data or personal information leakage, infringement of data protection or privacy laws and regulations or any investigation, claims or legal proceedings in relation to data privacy. During the CAC Interview, it was also confirmed that our Group was not involved in any government investigation, penalty or order for rectification in connection with non-compliance with data privacy and security. Based on the above, our PRC Legal Advisors are of the view that our Group complies with or will be able to comply with the Cybersecurity Regulations (assuming that the Draft Internet Data Security Regulations are implemented in the current form) in all material aspects.

Considering the nature of our business and based on the advice of the PRC Legal Adviser, our Directors are of the view that, assuming the Draft Internet Security Regulations is implemented in its current form, it is unlikely that the [REDACTED] will be subject to cybersecurity review; and the Cybersecurity Regulations will not have any material adverse effect on our business operations or the [REDACTED]. For details, please see “Regulatory Overview – Part II. Summary of Regulatory Legislation – II. Regulations on Internet security and privacy protection” in this document. Nevertheless, as at the Latest Practicable Date, the Draft Internet Data Security Regulations were released for public comment only and their operative provisions and the effective date remain uncertain. For risks related to the above-mentioned regulatory changes, please see “Risk Factors – Risks Relating to Our Business and Industry – If we or our suppliers fail to protect data privacy of individual users, we might be subject to fines or other regulatory sanctions” in this document.

Recent Resurgence of the COVID-19 Pandemic

During the first half of 2022, there had been large-scale outbreaks of COVID-19, including the highly transmissible Omicron variant, in various provinces across the PRC (the “Resurgence”). In response to the Resurgence, local governments in PRC have imposed various restrictions on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions. As advised by iResearch, the Resurgence had adversely affected the macro economy of the PRC which in turn resulted in a decrease in the demand for promotion and advertising services in the PRC. During the first quarter in 2022, both the number of enterprises which engaged in online advertising and their spending thereon had recorded a decline as compared to the fourth quarter in 2021.

Our business and operations were also, to a certain extent, affected by the Resurgence. In particular, in the first half of 2022, we encountered delays in the settlement of trade receivables by some of our customers, in particular the customers of advertisement placement services and advertisement distribution services, which based in and/or operated in provinces severely affected by the Resurgence. In particular, our trade receivable balance (before provisions for ECL) increased from RMB88.0 million as at 31 December 2021 to RMB139.8 million as at 30 April 2022 and the proportion of our trade receivables which was past due as compared to the total trade receivables increased from 11.6% as at 31 December 2021 to 21.2% as at 30 April 2022. Nevertheless, we have been actively liaising with our customers for the settlement of the trade receivables. We consider that the delays in settlement of trade receivables would not have

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a material adverse impact on our business and operation in the long term because, to the best knowledge of our Directors, (a) the Resurgence has been subsiding since June 2022; (b) there has been no default or bad debts in respect of the outstanding payments from our customers; and (c) following the easing of restrictive measures imposed by local government, some of our customers started to settle the outstanding payments in June 2022. Out of our trade receivables of RMB139.8 million (before provisions for ECL) as at 30 April 2022, RMB119.3 million or 85.3% had been settled by our customers as at 21 September 2022. In addition, there were delays in the progress of our lottery-related software systems and equipment projects as we were unable to install, implement and/or provide trainings in connection with the systems and equipment supplied by us due to travel restrictions imposed by the local governments. For example, the Shanghai provincial WLIAC had suspended the sale of lottery tickets in view of the Resurgence, which in turn affected our services in the market. On the other hand, there has been no significant impact or disruption on the supply of advertising space, virtual goods and IT solution services available to us caused by the Resurgence.

Despite the abovementioned effect of the Resurgence, our revenue has not been negatively affected by the Resurgence. Based on the unaudited management account of our Group for the seven months ended 31 July 2022, we recorded an increase of approximately 12.3% in our overall revenue compared to the same period in 2021. Such increase was mainly attributable to the increase in the revenue from our advertisement placement and advertisement distribution services as well as our virtual goods sourcing and delivery services. Nevertheless, our business may be adversely affected if there is any further outbreak of COVID-19 in the PRC. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters, health epidemics, and other public safety concerns.” in this document for details.

In view of the potential impacts of the COVID-19 pandemic and the Resurgence, we have implemented certain corresponding measures to enhance our business operations and sustainability. In order to better manage our cash flow and ensure sufficient liquidity, we have been liaising with banks for additional banking facilities. During 4M2022, we have obtained additional banking facilities in the aggregate amounts of RMB21.0 million. Further, we have been striving to improve the profitability of our advertisement placement services by focusing on customers with higher gross profit margin and providing operation services to our customers. We have also been enhancing the efficiency in communicating with our customers through the use of video conference calls and other online communication channels.

Our Directors are of the view that the COVID-19 pandemic and the Resurgence are not expected to have a material or sustained adverse impact on our Group on the basis that (i) no large-scale lockdown had been imposed in Hangzhou, where our headquarter is situated in, since the Resurgence and up to the Latest Practicable Date; (ii) we have implemented procedures for remote work arrangements to allow our staff to remotely access our email and internal office automation system in the events of lockdowns and quarantines; (iii) the operations of our business were mainly conducted through online platforms and online communication channels, which would not be materially affected by lockdowns and/or closure of workplace; (iv) we have achieved sustainable growth in our business during the Track Record Period, despite the outbreak and recurrence of the COVID-19 pandemic; and (v) we have implemented the abovementioned measures to further enhance the sustainability of our operations in the course of the pandemic. We will continue to monitor the development of the COVID-19 pandemic and continuously evaluate any potential impact on our business, results of operations and financial condition.

No Material Adverse Change

Our Directors confirm that, since 30 April 2022, being the date to which our latest audited accounts were made up and the end of the period reported on in the Accountants’ Report, and up to the date of this document, there has been no material adverse change in our operations or financial or trading position, and no event has occurred that would materially and adversely affect the information shown in the consolidated financial statements of our Group set out in the Accountants’ Report.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, no dividend has been proposed, paid or declared by our Company or any of its subsidiaries.

In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion. In addition, any final dividend for a financial year will be subject to Shareholder’s approval, but no dividend shall be declared in excess of the amount

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recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. We do not have a fixed dividend payout ratio. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

[REDACTED]

The numbers in the following table are based on the assumptions that (i) the [REDACTED] and the [REDACTED] have been completed and [REDACTED] are issued and sold in the [REDACTED]; (ii) the [REDACTED] is not exercised; and (iii) [REDACTED] Shares are issued following the completion of the [REDACTED] and the [REDACTED].

	Based on the [REDACTED] of HK\$[REDACTED] per Share	Based on the [REDACTED] of HK\$[REDACTED] per Share
Market capitalisation after completion of the [REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share ^(Note)	HK\$[REDACTED]	HK\$[REDACTED]

Note: Please refer to Appendix II in this document for the adjustment in calculating the unaudited pro forma adjusted consolidated [REDACTED] assets per Share.

[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] and assuming that the [REDACTED] is not exercised at all, we estimate that [REDACTED] of approximately HK\$[REDACTED] will be received from the [REDACTED], after deducting the [REDACTED] and estimated expenses payable by us in connection with the [REDACTED]. We intend to use the net [REDACTED] from the [REDACTED] as follows:

	% of net [REDACTED] (approximately)	HK\$ million (approximately)
Developing and expanding our online marketing channels and resources for our marketing and promotion services	[REDACTED]	[REDACTED]
• Expanding our research and development team and operations team	[REDACTED]	[REDACTED]
• Meeting relevant property rental expenses	[REDACTED]	[REDACTED]
• Prepayments to be made to media publishers	[REDACTED]	[REDACTED]
Further developing and expanding our supplier base and types of virtual goods on offer	[REDACTED]	[REDACTED]
• Expanding our research and development team, operations team and commerce team	[REDACTED]	[REDACTED]
• Meeting relevant property rental expenses	[REDACTED]	[REDACTED]
• Prepayments to be made to virtual goods suppliers	[REDACTED]	[REDACTED]
Acquiring companies in marketing and related industries	[REDACTED]	[REDACTED]
Developing and operating our SaaS enterprise marketing service platform as a means to expand our marketing channels	[REDACTED]	[REDACTED]
• Expanding our research and development team and operations team	[REDACTED]	[REDACTED]
• Meeting relevant property rental expenses	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]

For further details, please refer to the section headed “Future Plans and Use of [REDACTED]” in this document.

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[REDACTED]

Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] stated in this document, the total amount of expenses in relation to the [REDACTED] including the [REDACTED] and other [REDACTED] and fees are estimated to be approximately RMB[REDACTED], equivalent to approximately [REDACTED]% of the gross [REDACTED] of the [REDACTED], which shall be borne by our Company, among which (i) [REDACTED], including [REDACTED] and related expenses are estimated to be approximately RMB[REDACTED]; and (ii) non-[REDACTED]-related expenses are estimated to be approximately RMB[REDACTED], comprising (a) fees and expenses of legal advisors and the reporting accountants of approximately RMB[REDACTED]; and (b) other fees and expenses of approximately RMB[REDACTED]. For FY2020, FY2021 and 4M2022, we incurred [REDACTED] of approximately RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED], respectively. Subsequent to the Track Record Period, it is estimated that in aggregate approximately RMB[REDACTED] will be charged to our Group’s profit and loss for the eight months ending 31 December 2022, and approximately RMB[REDACTED] is estimated to be directly attributable to the issue of the new [REDACTED] and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after [REDACTED].

RISK FACTORS

There are certain risks involved in our business operations which may be beyond our control. These risks are more particularly described in “Risk Factors” in this document. You should read the entire section carefully before deciding whether to invest in the [REDACTED]. The major risks faced by us include the following: (i) we operate in a rapidly developing and evolving industry, and it may be difficult to evaluate our financial condition and business prospects given the short operating history of certain business segments; (ii) if our customers transact with marketing channel providers/media publishers/mobile app operators directly or if they conduct promotion and advertising activities on their own, we may be exposed to the risk of disintermediation; (iii) advances to our suppliers may expose us to credit risks and default risks; (iv) we are faced with intense competition with other intermediate advertising service providers; (v) we may be required to provide impairment losses for intangible assets and goodwill; (vi) any failure to maintain and expand our relationships with our customers and suppliers in our promotion and advertising services business may materially and adversely affect our business operations and financial results; (vii) we derive a substantial proportion of our revenue from our operations in the marketing industry, and any slowdown in growth of or decline in the marketing industry may materially and adversely affect our profitability and prospects; and (viii) if we fail to effectively manage and control our traffic acquisition costs and employee benefit expenses, our gross profit and financial results will be materially and adversely affected.