*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our Group's consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projects depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk Factors" of this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a marketing services provider based in the PRC that provides marketing and promotion services and IT solutions services. Over the years, we have made unwavering endeavours to expand our capacities in providing marketing and promotion services in accordance with the prevailing market trends and developments. We offer (i) promotion and advertising services, including (a) traditional marketing and promotion services; (b) advertisement placement services; and (c) advertisement distribution services; and (ii) virtual goods sourcing and delivery services. We consider that the wide range of marketing and promotion services offered by us gives us a competitive advantage over other intermediate marketing agents in China in providing marketing services to customers. In addition, we also provide IT solutions services (including mobile game and software development and maintenance services and solutions on lottery related software systems and equipment) in an effort to enhance the quality and variety of our product and service offerings.

For FY2019, FY2020 and FY2021, our total revenue amounted to RMB89.4 million, RMB113.0 million and RMB219.5 million, respectively, representing a CAGR of approximately 56.7% over the three years ended 31 December 2021, while our profit for FY2019, FY2020 and FY2021 was RMB25.9 million, RMB45.5 million and RMB50.0 million, respectively, representing a CAGR of approximately 38.8% over the three years ended 31 December 2021. During 4M2022, we recorded total revenue of RMB70.7 million, representing an increase of 10.9% as compared to our total revenue for 4M2021. In addition, our profit after tax increased by 66.0% from RMB11.9 million in 4M2021 to RMB19.8 million in 4M2022.

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial information of our Group for the Track Record Period, which comprised the financial statements of our Company and its subsidiaries, has been prepared in accordance with HKFRSs. All intra-group transactions and balances have been eliminated on consolidation. For the purpose of preparing and presenting the historical financial information for the Track Record Period, our Company has consistently applied HKASs, HKFRSs, amendments and interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2021 on full retrospective basis throughout the Track Record Period, including HKFRS 3 "Definition of Business, HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"), HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 16 "Leases" ("**HKFRS 16**"). For more information on the basis of presentation and preparation of the financial information included herein, please see Note 2 of the Accountants' Report, the text of which is set out in Appendix I to this document.

FACTORS AFFECTING OUR FINANCIAL RESULTS OF OPERATIONS

We believe the following are the key factors that affect our results of operations:

Growth of the Online Advertising Industry

The growth of our business during the Track Record Period has been in part driven by the overall growth of the online advertising industry in the PRC. According to the iResearch Report, total spending of the PRC online advertising industry grew from approximately RMB376.3 billion in 2017 to RMB942.1 billion in 2021, representing a CAGR of approximately 25.8%. On the other hand, the revenue from our marketing and promotion services had increase from RMB69.1 million for FY2019 to RMB163.5 million for FY2021, which was partly driven by our increasing focus on online marketing services. The proportion of our online marketing services increased from 83.2% for FY2019 to 97.4% for FY2021 of our total revenue from marketing and promotion services of the respective year. Such proportion further increased to 99.0% in 4M2022. According to the iResearch Report, the online advertising spending will continue its growth and is expected to reach RMB1,719.1 billion in 2026. We expect that we would be benefit from the increasing spending of the online advertising industry, especially with our continuously upgraded online platforms. However, if the online advertising industry develops or grows at a slower pace than expected, our historical growth may not be indicative of our future performance.

Our Ability to Source Suitable and Characteristics Virtual Goods at Reasonable Costs

As part of our marketing and promotion services, we assist enterprises in executing their user acquisition, engagement and retention strategies by sourcing and delivering to them a range of virtual goods through our Rego Virtual Goods Platform. During the Track Record Period, we recorded significant growth in our virtual goods sourcing and delivery services, which has generated revenue of RMB12.4 million, RMB45.3 million, RMB44.6 million and RMB15.7 million for FY2019, FY2020, FY2021 and 4M2022, respectively. We believe that such growth is attributable to the enhancement of our product offerings to the customers. According to the iResearch Report, the key value of third-party virtual goods providers is to provide integrated offerings of goods and services at lower costs. Accordingly, we consider that our ability to source suitable and characteristics virtual goods at reasonable costs are critical to the business of our virtual goods sourcing and delivery services.

Ability to Control our Costs and Expenses

During the Track Record Period, traffic acquisition costs represented one of the major components of our cost of sales, which amounted to RMB35.5 million, RMB21.6 million, RMB75.9 million and RMB28.0 million and accounted for 39.7%, 19.1%, 34.6% and 39.6%, of our total revenue for FY2019, FY2020, FY2021 and 4M2022, respectively. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in traffic acquisition costs on our gross profit for the year/period indicated:

	Year ended 31 December						Four months ended 30 April	
	2019		2020		2021		2022	
	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
% change in traffic acquisition costs								
+/-5%	-/+1,774	-/+4.0	-/+1,079	-/+1.4	-/+3,795	-/+3.4	-/+1,401	-/+3.8
+/-10%	-/+3,548	-/+7.9	-/+2,159	-/+2.8	-/+7,589	-/+6.9	-/+2,802	-/+7.6
+/-15%	-/+5,322	-/+11.9	-/+3,238	-/+4.3	-/+11,384	-/+10.3	-/+4,203	-/+11.5

Meanwhile, employee benefits expenses constituted one of the largest component of our selling and distribution expenses, administrative expenses as well as research and development expenses. During FY2019, FY2020, FY2021 and 4M2022, our total employee benefits expenses (including those recorded in cost of sales, selling and distribution expenses, administrative expenses and research and development expenses) amounted to RMB18.2 million, RMB18.3 million, RMB33.3 million and RMB13.0 million and accounted for 20.4%, 16.2%, 15.2% and 18.4%, respectively, of our total revenue for the same years. The number of our employees has been increasing along with the growth of our business, and the increase in the total employee benefits expenses was primarily attributable to the increases in both the headcount and the general compensation level of management and key employees.

We expect that traffic acquisition costs as well as employee benefits expenses to continue to be our most significant costs and expenses going forward, particularly in light of the continued expansion and ramping up of our online marketing solutions business and the general increase in the average compensation level of the internet related industries. Our ability to control such costs and expenses may significantly affect our profitability.

Technology Advancement

Our results of operations significantly depend upon our technology capabilities and innovation. The continuous advancement in the platforms used in our marketing and promotion services is a distinguishing feature of our Group as a marketing service provider and set us apart from our competitors. In 2020, we have expanded our marketing and promotion services by introducing our advertisement distribution services through the establishment of our SDK, namely RegoAd SDK, which contributed to our revenue in the amount of RMB18.5 million, RMB107.9 million and RMB38.2 million for FY2020, FY2021 and 4M2022, respectively, representing 16.4%, 49.2% and 54.0% of our total revenue in the respective year. Also, we have made remarkable advancement of our RegoAd Virtual Goods Platform. With the continuous upgrade of our platforms, we were able to offer a wider range of virtual goods to our customers. Our revenue from our virtual goods sourcing and delivery services amounted to RMB12.4 million, RMB45.3 million and RMB44.6 million in FY2019, FY2020 and FY2021, representing a CAGR of 89.7% over the three years ended 31 December 2021. Our revenue from virtual goods sourcing and delivery also increased from RMB12.9 million for 4M2021 to RMB15.7 million for 4M2022, representing an increase of 21.1%. We believed that all of these had made and will continue to make significant contribution to the growth of our revenue.

We are dedicated to investing in research and development to continuously improve our technology. Our total research and development expenses amounted to RMB7.8 million, RMB9.4 million, RMB18.6 million and RMB4.8 million, in FY2019, FY2020, FY2021 and 4M2022, respectively. We intend to continue to focus on improving and nurturing our R&D capabilities through various measures to support our business growth. For details of our intended use of [**REDACTED**], please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Our Preferential Tax Treatment

During the Track Record Period, certain members of our Group were entitled to preferential tax treatment including exemptions from tax payment or entitlement to a preferential income tax rate as a result of their accreditation as "Software Enterprises" or "High and New Technology Enterprises" or qualification as "micro and small business". For FY2019, FY2020, FY2021 and 4M2022, the total amounts of exemptions and reduction in tax payment attributable to such preferential tax treatment amounted to RMB4.9 million, RMB7.2 million, RMB7.8 million and RMB2.6 million, respectively.

In addition, according to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective and updated from 2017 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year (the "**Super Deduction**"). Our Group has made its best estimate for the Super Deduction to be claimed for our Group's entities in ascertaining their assessable profits during the Track Record Period. The tax effect of the Super Deduction amounted to RMB2.0 million, RMB2.9 million, RMB3.9 million and RMB1.4 million for FY2019, FY2020, FY2021 and 4M2022, respectively.

For further details of our preferential tax treatment during the Track Record Period, please refer to Note 13 to the Accountants' Report in Appendix I in this document.

In case we no longer enjoy the aforesaid preferential income tax rate or preferential tax treatment, there is withdrawal/cancellation of related laws and regulations from the relevant tax authorities or any reason beyond our control, our profitability and results of operations could be materially affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We prepare our consolidated financial information in accordance with HKFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenues and expenses during the financial reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment.

For details of our significant accounting policies, estimates, assumption and judgements, see Notes 4 and 5 of the Accountants' Report in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if our Group's performance (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates or enhances an asset that the customer controls as our Group performs; or (iii) does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Marketing and Promotion Services

(i) Promotion and Advertising Services

The method we recognise revenue from our promotion and advertising services is affected by our role under the particular transaction. For contracts where we act as a principal, we recognise revenue on a gross basis, while for contracts where we are acting as an agent, we recognise revenue on a net basis. In determining whether we are acting as a principal or as an agent in a transaction, it requires our management's judgements and considerations of all relevant facts and circumstances including, whether we are the primary obligor in the transaction and whether we have control in determining how the services are provided to our customers.

Traditional marketing and promotion services (gross basis)

Our Group provides the traditional marketing and promotion services to enterprise advertisers or their advertising agents through integration of downstream marketing channels, including traditional off-line channels and on-line platforms. Our Group charges advertising customers for traditional marketing and promotion services primarily based on CPA or CPS model. Our Group recognises revenue when relevant services are provided to Our Group's customers. Our Group recognise the revenue from traditional marketing and promotion on a gross basis as our Group are the primary obligor and responsible for the transactions including pricing, selection of suppliers and provision of the marketing and promotion services.

Advertisement placement services (net basis)

During the Track Record Period, we provided advertisement placement services for enterprise advertisers or their advertising agents primarily by providing top-up services for our customers' accounts maintained on certain online platforms operated by large-scale media publishers and/or other operation services in connection with placement of their advertisements. We recorded our revenue from the advertisement placement services on a net basis as we are acting as an agent of our customers in placing advertisements at their instructions. In particular, (i) our customers make the final decisions in respect of which media publishers their advertisements would be placed on; (ii) the media publishers, rather than us, is primarily responsible for publishing the advertisements; (iii) we charge our customers based on their top-up amounts which are not affected by the performance of the advertisements placement; and (iv) we do not subject to any inventory risk as the advertisement inventories acquired upon successful bidding are not owned by us.

The media publishers may grant us rebates on a quarterly and/or annual basis which are recorded as revenue in our consolidated statements of profit or loss and other comprehensive income. As the rebates from media publishers are generally confirmed a few months after the end of the relevant quarter or year, the annual and fourth quarter rebates from media publishers would normally be finalised and received subsequent to the year-end. Accordingly, we have made and will make reasonable estimates of accrual for rebates from media publishers pursuant to the requirements under HKAS 8. We make accruals for the rebates based on estimation and make adjustments to our accounts when the rebates are confirmed by the media publishers. The rebates are revenue under HKFRS 15 and are accrued to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the estimate is subsequently resolved. Such estimates were based on, amongst others, evaluation as to whether the benchmarks or thresholds set by the media publishers are likely to be reached, other benchmarks, certain prescribed categorisation levels are likely to being qualified, or our discussion with and understanding from the media publishers, within the regulatory reporting deadlines. In making this judgment and estimation, we evaluate based on, amongst others, our past experience, regular monitoring of various performance factors, the rebate policies as set by the media publishers and the prevailing market information in relation to the rebates granted by such media publishers. Since the actual amounts of rebates granted by the media publishers can only be confirmed several months subsequent to the financial year-end, the final amounts of rebates might turn out to be different from the accrued amount of rebates estimated by our management and corresponding adjustments would be subsequently made if there is any difference between the actual rebates from the media publishers and the accrual for rebates.

Advertisement Distribution Services (gross basis)

We provide advertisement distribution services to advertising agents (which include large-scale media platforms operators and their agents) and connect them with mobile app operators through our RegoAd SDK, which works in combination with the advertising agents' platforms and/or applications, and matches the advertisements provided by the advertising agents with the available mobile advertising space in the mobile app operated by the mobile app operators. We act as the principal in our advertisement distribution services as we are able to identify and control the type of advertisements to be distributed in the mobile app connected by our RegoAd SDK.

(ii) Virtual Goods Sourcing and Delivery Services (net basis)

We provide virtual goods sourcing and delivery services to enterprises and their agents through our Rego Virtual Goods Platform. We are not the principal in this arrangement as we do not control the specified virtual goods prior to the purchase by our customers, because (i) we do not have control over the provision of the services under the virtual goods; (ii) we do not have inventory risk under our virtual goods sourcing and delivery services as we primarily acquire the virtual goods from downstream suppliers after our customers had placed an order; and (iii) our customers, rather than us, select the virtual goods to be provided. We report the net amounts between the payment from our customers and procurement costs of the virtual goods retained by us as our revenue. Our revenue under the virtual goods sourcing and delivery services is recognised at a point in time when the virtual goods-related services are rendered.

(b) IT Solutions Services

(i) Mobile Game and Software Development and Maintenance Service

The revenue from provision of software development and maintenance services is recognised at the point of time when the products are delivered and the end customers have physical possession and control over the software and related products. Our Group recognises the revenue on a gross basis as our Group bears the sole responsibility for the transaction.

In addition, the revenue from the provision of mobile game maintenance services is recognised over-time when the services are delivered for a period of time. Our Group recognises the revenue on a gross basis as the customer simultaneously receives and consumes the services provided by our Group's performance as our Group performs. Our Group recognises over time in which the services are performed representing the entity's right to consideration for the services performed to date.

Variable consideration is contingent on the sharing certain portion of revenue from gross recharge amount on the online game platform published by third-party game developers. Variable consideration is estimated by using the data on the platforms which billed on monthly basis and receivable is expected to be collected within the contracted credit terms.

(ii) Solutions on lottery related software systems and equipment

The revenue from our solutions on lottery related software systems and equipment to our customers is recognised when control of the goods has transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue is thus recognised at the point in time when the customers accepted the lottery systems and equipment. There is generally only one performance obligation and the considerations include no variable amount.

We provide repair and maintenance services for the lottery related software systems and equipment to our customers. Revenue is recognised when the services are rendered according to the terms of service agreement. The revenue recognised overtime as the customer simultaneously receives and consumes the maintenance services as time elapsed within the service period as the Group performs. Accordingly, revenue is recognised on a straight-line basis during the service period.

Revenue from repair and maintenance services for the lottery related software systems and equipment is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by our Group. The output method recognises revenue on the actual service days to the total agreed periods between our Group and customers.

Contract Assets and Liabilities

A contract asset represents our Group's right to consideration in exchange for services that our Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents our Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Income Tax

Our Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. Transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made. Further details regarding the current and deferred tax are set out in Notes 13 and 30 of the Accountants' Report in Appendix I to this document.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal ("**FVLCD**") (if measurable) or its value in use ("**VIU**") (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

During the Track Record Period, the Group has engaged Graval Consulting Limited, an independent third party valuer, to perform valuations for the purpose of assessing (i) the recoverable amounts of Yuncaitong and Xi'an Tiantai during the Track Record Period; and (ii) the discount rates of Jiangxi Yunjia and Wuhan Cairun in FY2019.

Jiangxi Yunjia

As at 31 December 2019, goodwill arising from acquisition of Jiangxi Yunjia were fully impaired due to change of business plan and delay in revenue generating activities of Jiangxi Yunjia. Impairment loss of approximately RMB2.1 million were provided during FY2019.

Yuncaitong

The recoverable amount of Yuncaitong CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a 5 years period, followed by an extrapolation of expected cash flow at 3%, 2%, 2% and 2% growth rate which do not exceed the long-term growth rate for the business in which the CGU operates for the FY2019, FY2020, FY2021 and 4M2022, respectively, and a discount rate of 25.95%, 26.41%, 25.12% and 25.59% per annum for FY2019, FY2020, FY2021 and 4M2022, respectively. Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The discount rate used is pre-tax and reflect specific risks relating to the CGU. Based on the assessment result, the recoverable amounts of approximately RMB7.3 million, RMB10.1 million, RMB11.3 million and RMB10.9 million is greater than the carrying amounts of approximately RMB4.4 million, RMB4.4 million, RMB4.3 million and RMB4.3 million as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 April 2022, respectively. The Directors believe that any reasonably possible changes in other key assumptions on which recoverable amount is based would not cause the carrying amount of Yuncaitong CGU to exceed its recoverable amount. No impairment loss on its goodwill has been recognised for FY2019, FY2020, FY2021 and 4M2022.

Based on the result of the goodwill impairment testing, the headroom of the combined business were approximately RMB2.9 million, RMB5.8 million, RMB7.0 million and RMB6.6 million as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 April 2022, respectively. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in the key assumptions during the forecast period on the headroom:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue amount decreases by 1%	(135)	(170)	(814)	(847)
Gross margin decreases by 1%	(144)	(182)	(879)	(914)
Terminal growth rate decreases by 0.5%	(181)	(176)	(196)	(203)
Discount rate increases by 0.5%	(273)	(330)	(473)	(476)

As there was still sufficient headroom based on the assessment, our management is of the view that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount.

Wuhan Cairun

Wuhan Cairun had no operations in FY2019. As at 31 December 2019, goodwill arising from acquisition of Wuhan Cairun were fully impaired due to change of business plan and delay in revenue generating activities of Wuhan Cairun. Impairment loss of approximately RMB264,000 was provided during FY2019.

Xi'an Tiantai

The recoverable amount of Xi'an Tiantai CGU is determined based on a VIU calculation which uses cash flow projections based on financial budgets approved by the directors covering a 5 years period, followed by an extrapolation of expected cash flow at 2%, 2% and 2% growth rate which do not exceed the long-term growth rate for the business in which the CGU operates for FY2020, FY2021 and 4M2022, respectively, and a discount rate of 21.80%, 20.95% and 21.06% per annum for FY2020, FY2021 and 4M2022, respectively. Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. The discount rate used is pre-tax and reflect specific risks relating to the CGU. Based on the assessment result, the recoverable amount of approximately RMB61.7 million, RMB62.6 million and RMB58.8 million is greater than the carrying amount of approximately RMB24.1 million, RMB20.8 million and RMB19.8 million as at 31 December 2020, 31 December 2021 and 30 April 2022, respectively. The Directors believe that any reasonably possible changes in other key assumptions on which recoverable amount is based would not cause the carrying amount of Xi'an Tiantai CGU to exceed its recoverable amount. No impairment loss on its goodwill has been recognised for FY2020, FY2021 and 4M2022.

Based on the result of the goodwill impairment testing, the headroom of the combined business were approximately RMB37.6 million, RMB41.8 million and RMB39.0 million as at 31 December 2020, 31 December 2021 and 30 April 2022, respectively. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in the key assumptions during the forecast period on the headroom:

	As at 31 December		As at 30 April
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue amount decreases by 1%	(3,786)	(3,311)	(3,477)
Gross margin decreases by 1%	(4,003)	(3,535)	(3,712)
Terminal growth rate decreases by 0.5%	(908)	(831)	(883)
Discount rate increases by 0.5%	(1,979)	(1,871)	(1,873)

As there was still sufficient headroom based on the assessment, our management is of the view that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount.

Intangible Assets

(i) Intangible Assets Acquired Separately and in a Business Combination

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

For the intangible assets with finite useful lives, amortisation is provided on a straight-line basis over their useful lives, and amortisation expense recognised in profit or loss. The following intangible assets with finite useful lives are amortised from the date when they are available for use and their estimated useful lives are as follows:

Computer software	10 years
Copyrights	5-10 years

Both of the period and method of amortisation are reviewed at the end of each reporting period.

Our computer software are mainly used in the operation of the platforms for our marketing and promotion services and the copyrights are mainly related to the software and equipment used in our IT solutions services. The Company estimates the useful life of computer software and copyrights based on the estimated period of time during which the computer software and copyrights would generate revenue to the Group. It is expected that further updates to the computer software and copyrights will be required after the expiry of their respective useful life.

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- our Group is able to sell the product; and
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods our Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(v) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts. For details, please refer to Note 4.9 of the Accountants' Report in Appendix I to this document.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately.

Government Grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which our Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that our Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Impairment of Trade Receivables and Contract Assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12-month after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Impairment of Assets (Other Than Financial Assets)

At the end of each reporting period, our Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- Investment in a subsidiary

If the recoverable amount (i.e. the greater of the FVLCD and VIU) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

VIU is based on the estimated future cash flows expected to be derived from the asset or the CGU, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other assets or groups of assets.

RESULTS OF OPERATIONS

The following table sets forth the consolidated statement of profit or loss during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

	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	25,944	45,475	49,985	11,901	19,757

	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*
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	25,944	45,475	49,985	11,901	19,757

Non-HKFRS Measure

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use the adjusted net 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 measures as our profit or loss 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	25,944	51,560	63,615	14,887	21,128

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

For FY2019, FY2020, FY2021 and 4M2022, our total revenue amounted to approximately RMB89.4 million, RMB113.0 million, RMB219.5 million and RMB70.7 million, respectively. During the Track Record Period, we primarily generated our revenue from the provision of (a) marketing and promotion services; and (b) IT solution services. The following table sets out the breakdown of our revenue by business segment 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* (unaudited)	%	*RMB'000*	%
Marketing and promotion services										
Promotion and advertising services	56,670	63.4	35,249	31.2	118,879	54.2	42,195	66.2	42,410	60.0
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
IT solution services	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 include commission generated from the sale of lottery tickets through our offline shops.*

Our revenue generated from marketing and promotion services amounted to RMB69.1 million, RMB80.5 million, RMB163.5 million and RMB58.1 million for FY2019, FY2020, FY2021 and 4M2022, respectively, which accounted for 77.3%, 71.3%, 74.5% and 82.2% of our total revenue for the respective year/period. Meanwhile, we have generated revenue from IT solutions services amounted to RMB19.0 million, RMB31.9 million, RMB55.7 million and RMB12.6 million, respectively, which accounted for 21.2%, 28.2%, 25.3% and 17.7% of our total revenue for FY2019, FY2020, FY2021 and 4M2022, respectively.

1. *Revenue from our Marketing and Promotion Services*

We are a marketing services provider in the PRC that provides (i) promotion and advertising services; and (ii) virtual goods sourcing and delivery services. The following table sets forth the breakdown of our revenue generated from the provision of marketing and promotion services by the type of services provided by our Group for the period indicated:

	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*	*%*
Promotion and advertising services	56,670	82.0	35,249	43.8	118,879	72.7	42,195	76.5	42,410	73.0
Virtual goods sourcing and delivery services	12,408	18.0	45,291	56.2	44,629	27.3	12,964	23.5	15,704	27.0
Total	69,078	100.0	80,540	100.0	163,508	100.0	55,159	100.0	58,114	100.0

We recorded a growth in the revenue from our marketing and promotion services at a CAGR of 53.9% during the three years ended 31 December 2021 from RMB69.1 million in FY2019 to RMB163.5 million in FY2021. Our revenue from marketing and promotion services also increased from RMB55.2 million in 4M2021 to RMB58.1 million in 4M2022. Such increase was resulted from the growth in both of our promotion and advertising services and virtual goods sourcing and delivery services during the Track Record Period.

Due to the different types of services we provide under our marketing and promotion services, we recognise our revenue either on a gross basis or on a net basis. When we provide traditional marketing and promotion services and advertisement distribution services (as part of our promotion and advertising services), we act as a principal and record our revenue on a gross basis, whereas, when we provide our advertisement placement services (as part of our promotion and advertising services) which involve the placing of advertisement on large-scale media publishers and our virtual goods delivery and sourcing services, we act as an agent and record our revenue on a net basis. For the basis of our revenue recognition policies, please refer to the paragraph headed "Critical Accounting Policies, Estimates and Judgements — Revenue Recognition" in this section and Note 4.13 of the Accountant's Report in Appendix I to this document.

We provide our marketing and promotion services to our customers through an integration of online and offline marketing channels. The following table sets forth the breakdown of our revenue from marketing and promotion services by channels used 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* (*unaudited*)	*%*	*RMB'000*	*%*
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	69,078	100.0	80,540	100.0	163,508	100.0	55,159	100.0	58,114	100.0

According to the iResearch Report, the online advertising industry in the PRC has recorded growth at a CAGR of 25.8% during the period from 2017 to 2021 and is expected to further grow at a CAGR of 12.8% from 2021 to 2026. Driven by the continuous innovations in the internet and mobile technologies, advertisers are shifting their advertising spending from offline channels to online channels as online advertising allow the advertisers to reach a wider group of audience and their targeted audience more efficiently. Leveraging on our technical capability, we have also been shifting our focus from offline marketing to online marketing in order to cater for the changing market demands. Our revenue attributable to online marketing services amounted to RMB57.4 million, RMB72.7 million, RMB159.3 million and RMB57.5 million, representing 83.2%, 90.3%, 97.4% and 99.0% of our total revenue from marketing and promotion services for FY2019, FY2020, FY2021 and 4M2022, respectively. We consider that the expansion of our online marketing services was and will continue to be one of the major factors for the business growth of our marketing and promotion services.

Customers of our marketing and promotion services include (i) enterprises that have demand for marketing and promotion services for their business; and (ii) advertising agents of the enterprises. During the Track Record Period, a majority of our revenue from marketing and promotion services was attributable to the advertising agents. According to the iResearch Report, the PRC advertising services market is relatively fragmented, therefore, it is common for enterprises to conduct their marketing activities through intermediate advertising agents as it is more cost efficient. The following table sets forth a breakdown of our revenue from marketing and promotion services by type of customers 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* (*unaudited*)	*%*	*RMB'000*	*%*
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	69,078	100.0	80,540	100.0	163,508	100.0	55,159	100.0	58,114	100.0

(i) Promotion and Advertising Services

We provide promotion and advertising services to enterprise advertisers and/or their advertising agents through diversified marketing channels, including off-line channels (such as cold calling, SMS marketing and brick-and-mortar retail stores) and online channels (such as groups on WeChat or Tencent QQ, large-scale media publishers and advertising spaces in mobile apps). Revenues generated from our promotion and advertising services amounted to RMB56.7 million, RMB35.2 million, RMB118.9 million and RMB42.4 million, representing approximately 82.0%, 43.8%, 72.7% and 73.0% of the total revenue from our marketing and promotion services for FY2019, FY2020, FY2021 and 4M2022, respectively.

The following table sets forth a breakdown of our revenue from promotion and advertising services by the type of services provided by us during 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* *(unaudited)*	*%*	*RMB'000*	*%*
Traditional marketing and promotion services	56,670	100.0	16,749	47.5	4,724	4.0	3,322	7.9	1,768	4.2
Advertisement placement services	–	–	–	–	6,234	5.2	546	1.3	2,481	5.9
Advertisement distribution services	–	–	18,500	52.5	107,921	90.8	38,327	90.8	38,161	89.9
Total	56,670	100.0	35,249	100.0	118,879	100.0	42,195	100.0	42,410	100.0

Traditional Marketing and Promotion Services

We primarily provide traditional marketing and promotion services when we first tapped into the marketing and promotion industry, which mainly included the provision of social media marketing, telemarketing and offline marketing. In FY2019, all of our revenue from the promotion and advertising services where attributable to traditional marketing and promotion services. 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, or the marketing needs of, individual enterprise advertisers or the specific industry 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 expanded and upgraded our service offerings by providing advertisement placement services and advertisement distribution services from FY2020 and FY2021, respectively. We are of the view that, by offering enterprise advertisers with easier and more convenient access to the advertisement publication services of large-scale media platform operators (as media publishers) under our advertisement placement services, and by offering advertisement distribution services to these large-scale media platform operations (as advertising agents) for the distribution of their advertisements in fitting mobile apps, such expansion of service offering would 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.

Advertisement Placement Services

We started to provide advertisement placement services in FY2021 which allows our customers to place advertisement on platforms operated by certain large-scale media publishers in the PRC.

Under the advertisement placement services, we typically offer top-up services to our customers' accounts maintained on online platforms operated by certain large scale media publishers. 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 platforms. For examples, we may assist our customers to liaise with the media publishers in resolving technical issues and refunds. Commencing from September 2021, we may also provide operation services to our customers such as advising on placement strategy to optimise placement performance and/or preparing advertising materials to be placed on the media platforms.

We recorded our revenue from advertisement placement services on a net basis as we are in substance acting as the agent of our customers in placing advertisements at their instructions, given that, (i) our customers make the final decisions in respect of which media publishers their advertisements would be placed on; (ii) the media publishers, rather than us, is primarily responsible for publishing the advertisements; (iii) we charge our customers based on their top-up amounts which are not affected by the performance of the advertisements placement; and (iv) we do not subject to any inventory risk as the advertisement inventories acquired upon successful bidding are not owned by us. Our revenue represents the surplus of (i) the net top-up amounts (after deducting the rebates granted by us to our customers (if any)) received by us from our customers (being enterprise advertisers or their advertising agents) over (ii) the amounts paid by us to our suppliers (including media publishers or their channel agents) (net of rebates (if any)) for crediting our customers' accounts, which would be used for acquiring advertisement publishing services on the platforms maintained by the media publishers. Under the advertisement placement services, our suppliers may grant us rebates as a percentage of the top-up amounts of our customers. For transactions where our direct suppliers are media publishers, quarterly and yearly rebates are normally paid to us a few months after the end of the previous quarter or year and such rebates are determined based on, among other things, their 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 publishers. We make accruals for the rebates based on estimation and make adjustments to our accounts when the rebates are confirmed by the media publishers. On the other hand, when our suppliers are channel agents of the media publishers, such rebates are normally confirmed prior to, and would be set off against, our payment for top-up services. During FY2021 and 4M2022, we have recorded rebates from our suppliers (including media publishers and their channel agents) in the total amount of approximately RMB33 million and RMB5.9 million (inclusive of VAT). For further details on the accounting principles in relation to the recognition of revenue of advertisement placement services and the rebates from media publishers, please refer to the paragraph headed "Critical Accounting Policies, Estimates and Judgements — Revenue Recognition" in this section and Note 5 in Appendix I to this document.

The following table illustrates the reconciliation of the amounts received from our customers and our revenue recorded under our advertisement placement services during the Track Record Period:

	Year ended 31 December	Four months ended 30 April	
	2021	**2021**	**2022**
	RMB'000	*RMB'000* *(unaudited)*	*RMB'000*
Top-up amounts received by us (net of rebates to our customers (if any) and VAT)	493,609	42,706	128,213
Less: top-up amounts paid to our suppliers (net of rebates from suppliers (if any) and VAT)	(487,375)	(42,160)	(125,732)
Revenue	6,234	546	2,481

In FY2019, FY2020, FY2021 and 4M2022, the number of our customers of the promotion and advertising services amounted to 29, 14, 159 and 76, respectively. The increase in the number of customers since FY2021 was mainly attributable to our advertisement placement services as (i) our cooperation with the large-scale media publishers (or their channel agents) allows us to provide marketing and promotion services at a larger scale; and (ii) we have increased the manpower to cater for the launch of advertisement placement services in 2021. We believe that our advertisement placement services would become one of the key drivers to our future business growth. For further details of the business model of our promotion and advertising services, please see the section headed "Business — Our Business Model — Marketing and Promotion Services — Promotion and Advertising Services — (1) Traditional Marketing and Promotion Services; and (2) Advertisement Placement Services (Delivered through Marketing Channel Provider)" in this document.

We provide traditional marketing and promotion services and advertisement placement services for different products or services, including but not limited to, mobile games, entertainment, utility and lifestyle related products, apps and/or online platforms. The following table sets forth the breakdown of our revenue from traditional marketing and promotion services and advertisement placement services by industry of the products or services being promoted during 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* *(unaudited)*	*%*	*RMB'000*	*%*
Games and entertainment	47,536	83.9	15,353	91.7	4,266	38.9	3,112	80.4	1,289	30.3
Utility and lifestyle	4,277	7.5	306	1.8	3,350	30.6	378	9.8	1,737	40.9
Others	4,857	8.6	1,090	6.5	3,342	30.5	378	9.8	1,223	28.8
Total	56,670	100.0	16,749	100.0	10,958	100.0	3,868	100.0	4,249	100.0

During the Track Record Period, we mainly provide our traditional marketing and promotion services and advertisement placement services for games and entertainment related products, apps and/or online platforms, such as online games, movies and e-books, contributing to revenue of RMB47.5 million, RMB15.4 million, RMB4.3 million and RMB1.3 million, representing 83.9%, 91.7%, 38.9% and 30.3% of the total revenue from our traditional marketing and promotion services and advertisement placement services for FY2019, FY2020, FY2021 and 4M2022, respectively.

Advertisement Distribution Services

In September 2020, we started to provide advertisement distribution services as part of our promotion and advertising services. Our revenue from advertisement distribution services amounted to RMB18.5 million, RMB107.9 million and RMB38.2 million for FY2020, FY2021 and 4M2022, respectively, representing 23.0%, 66.0% and 65.7% of our revenue from marketing and promotion services in the corresponding periods. We provide advertisement distribution services to our customers, namely advertising agents (which include large-scale media platform operators and their agents) and connect them with mobile app operators through our RegoAd SDK, which works in combination with the advertising agents' platforms and matches advertisements of the enterprise advertisers with the available and suitable mobile advertising space in the mobile app operated by the mobile app operators. We charge our customers primarily based on a mix of performance parameters of the advertisement distribution services, including but not limited to, impressions, clicks, CTR and/or CPM, and we in turn pay to the mobile app operators or their distribution agents based on an agreed proportion of the service fees we received from our customers as traffic acquisition costs. After deduction of such traffic acquisition costs, we are typically entitled to 20% to 50% of the service fees we received from our customers. Please see the section headed "Business — Our

Business Model — Marketing and Promotion Services — Promotion and Advertising Services — (3) Advertisement Distribution Services (Delivered through Mobile App Operators)" in this document for more details of our advertisement distribution services.

The following table set forth the breakdown of our revenue from advertisement distribution services in FY2020, FY2021 and 4M2022 by the types of the mobile app connected to our Rego SDK:

	Year ended 31 December				Four months ended 30 April			
	2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Financial services	18,448	99.7	105,020	97.3	37,077	96.7	38,084	99.8
Utility and lifestyle	37	0.2	1,887	1.7	354	0.9	56	0.1
E-commerce platform	5	0.0	711	0.7	594	1.5	21	0.1
Others	10	0.1	303	0.3	302	0.9	–	–
Total	18,500	100.0	107,921	100.0	38,327	100.0	38,161	100.0

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, CTR and/or CPM (i.e. combined performance parameters). The service fees under the promotion and advertising 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 between the top-up amounts that 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) for topping-up of our customers' accounts maintained on the platforms operated by the media publishers. 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 determination of the rebates, please refer to the section headed "Business — Our Business Model — 1. Marketing and Promotion Services — 1A. Promotion and Advertising Services — 1A(ii) Advertisement Placement Services (Delivered through Media Publishers)" in this document.

The following table sets forth a breakdown of our revenue from promotion and advertising services by revenue model:

	For the 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*	*%*
Traditional marketing and promotion services										
– CPA	47,977	84.7	9,993	28.3	620	0.5	251	0.6	–	–
– CPS	8,636	15.2	1,096	3.1	808	0.7	241	0.6	280	0.6
– Others*(Note 1)*	57	0.1	5,660	16.1	3,296	2.8	2,830	6.7	1,488	3.5
Advertisement placement services										
– Rebates*(Note 2)*	–	–	–	–	6,234	5.2	546	1.3	2,481	5.9
Advertisement distribution services										
– Combined performance parameters	–	–	18,500	52.5	107,921	90.8	38,327	90.8	38,161	90.0
Total	56,670	100.0	35,249	100.0	118,879	100.0	42,195	100.0	42,410	100.0

Notes:

1. Others include fixed payment and service fees charged based on the quantity of marketing activities conducted by us.

2. Our revenue from advertisement placement services is recognised on a net basis representing the surplus of (i) the net top-up amounts we received from our customers (after deducting the rebates granted by us to 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).

(ii) Virtual goods sourcing and delivery services

In FY2019, FY2020, FY2021 and 4M2022, we generated revenue of RMB12.4 million, RMB45.3 million, RMB44.6 million and RMB15.7 million, respectively, from our virtual goods sourcing and delivery services, representing approximately 18.0%, 56.2%, 27.3% and 27.0%, respectively, 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. We commenced our virtual goods sourcing and delivery services in 2017 mainly offering top-up for telecommunication services to our customers. Since FY2019, we have gradually introduced other virtual goods in our product offerings and upgraded our Rego Virtual Goods Platform to cater for the transactions of different types of virtual goods. We currently offer a wide spectrum of virtual goods to our customers, including but not limited to, top-up for telecommunication services, memberships of online entertainment platforms, and gift cards of e-marketplaces and gas stations. Leveraging on our increasing capacity of resource integration, we entered into business relationships with a virtual goods procurement agent of several sizable enterprises including banks, insurance companies, financial service providers and a food and beverage retail chain, thereby resulting in a significant growth in our revenue from virtual goods sourcing and delivery services in FY2020 and FY2021.

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						**Four months ended 30 April**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*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:

1. 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.

During the Track Record Period, we primarily provide virtual goods sourcing and delivery services to mobile game operators and companies engage in the lifestyle and entertainment industry. Set out below is a breakdown of our revenue generated from the virtual goods sourcing and delivery services by industries of the enterprises to whom we supplied virtual goods for the periods indicated:

	For the 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*	*%*
Enterprises										
– Online game operators	9,348	75.3	17,053	37.6	25,466	57.1	8,398	64.8	8,363	53.3
– Lifestyle and entertainment	21	0.2	26	0.1	3,665	8.2	519	4.0	1,807	11.5
	9,369	75.5	17,079	37.7	29,131	65.3	8,917	68.8	10,170	64.8
Agents^(Note)^	3,039	24.5	28,212	62.3	15,498	34.7	4,047	31.2	5,534	35.2
Total	12,408	100.0	45,291	100.0	44,629	100.0	12,964	100.0	15,704	100.0

Note: For our customers of virtual goods sourcing and delivery services who are agents, we are unable to ascertain the identities of their end-customers and their respective revenue contributions. Accordingly, the above table only provides a breakdown of the industries for transactions directly entered into with the enterprises.

We recognised our revenue from our virtual goods sourcing and delivery services on a net basis. Please refer to the paragraphs headed "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 section above for further details.

The following table illustrates the reconciliation of the GMV and our revenue recorded under our virtual goods sourcing and delivery services during 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* (*unaudited*)	*RMB'000*
GMV	282,213	588,510	808,005	320,587	317,918
Less: purchase costs of the virtual goods	(269,805)	(543,219)	(763,376)	(307,623)	(302,214)
Revenue	12,408	45,291	44,629	12,964	15,704

The total GMV of the virtual goods offered by us under our virtual goods sourcing and delivery services amounted to RMB282.2 million, RMB588.5 million, RMB808.0 million and RMB317.9 million in FY2019, FY2020, FY2021 and 4M2022, respectively. The increase in the total GMV of the virtual goods offered by us in FY2020 was primarily due to the increase in our product offerings since 2020. The number of virtual goods available on our Rego Virtual Goods Platform increased from four in FY2019 to over 60 in FY2021. We also offer packages combining various virtual goods since FY2020.

2. *Revenue from our IT Solution Services*

During the Track Record Period, we primarily offer IT solutions services in relation to (i) mobile game and software development and maintenance services; and (ii) solutions on lottery related software systems and equipment, on a project-by-project basis, in support of the business strategy for our marketing and promotion services, i.e. to facilitate our penetration of targeted marketing segments through technical supports and for diversification of our business. We consider that our technical capability and experience would allow us to stand out from our competitors and is one of the key factor to our success. For details of our IT solutions services, please see the section headed "Business — Our Business Model — IT Solution Services" in this document. The following table sets forth the breakdown of our revenue from our IT solutions services 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* *(unaudited)*	*%*	*RMB'000*	*%*
Mobile game and software development and maintenance services	17,861	94.1	7,939	24.9	11,275	20.3	4,501	53.0	7,084	56.4
Solutions on lottery related software systems and equipment	1,122	5.9	23,987	75.1	44,378	79.7	3,985	47.0	5,476	43.6
Total	18,983	100.0	31,926	100.0	55,653	100.0	8,486	100.0	12,560	100.0

Our revenue from IT solutions services amounted to RMB19.0 million, RMB31.9 million, RMB55.7 million and RMB12.6 million for FY2019, FY2020, FY2021 and 4M2022, respectively. Such increase was mainly attributable to the growth in our solutions on lottery related software systems and equipment following our acquisition of Xi'an Tiantai in July 2020.

(i) Mobile Game and Software Development and Maintenance Services

The mobile game industry in the PRC was one of the targeted markets of our promotion and advertising services during the Track Record Period. To facilitate our penetration into the mobile game industry, we have provided development and technical supports services in connection with mobile games, contributing revenue of RMB9.6 million, RMB7.9 million, RMB9.5 million and RMB3.5 million in FY2019, FY2020, FY2021 and 4M2022, respectively. Our revenue from mobile game and software development and maintenance services decreased in FY2020 mainly due to the decrease in the revenue generated from our services provided in respect of a mobile game operated by Customer A1 in 2019. Pursuant to our contract with Customer A1 in 2017, our IT solution services provided to Customer A1 were bundled with our promotion and advertising services for acquisition of new users for its mobile game. We subsequently renewed our contract with Customer A1 in 2019, following which we were no longer required to provide promotion and advertising services to Customer A1 and thereafter our revenue from Customer A1 only represents the service fees for our IT solution services. In addition, the decrease in our revenue in this business segment since 2020 was also resulted from a shift of our business focus away from the online game industry in view of the uncertain regulatory environment of the online game industry in the PRC. Apart from mobile games, we have also provided IT solutions services to other industries during the Track Record Period including education, business and telecommunications by developing different systems and software in support of their business operations.

(ii) Solution on lottery related software systems and equipment

During the Track Record Period, our solution on lottery-related software systems and equipment include communication security systems, network security systems, lottery sales points monitoring systems and sale of lottery vending machines, contributing revenue of RMB1.1 million, RMB24.0 million, RMB44.4 million and RMB5.5 million in FY2019, FY2020, FY2021 and 4M2022, respectively. We started to provide solution on lottery related software systems and equipment in FY2019 in view of our strategic business initiatives of converting and utilising the widespread lottery retail network in the PRC into our marketing channel and our own private traffic. For further details, please refer to the section headed "Business — Our Business Strategies — Developing and operating our SaaS enterprise marketing services platform as a means to expand our marketing channels" in this document. We further expanded the services offered under our solutions on lottery related software systems and equipment after our acquisition of Xi'an Tiantai in July 2020. Since the acquisition of Xi'an Tiantai, we mainly provide lottery related software systems and/or equipment and the related technical services to provincial WLIACs in the PRC. Pursuant to the terms of the agreements entered into between our Group and the provincial WLIACs, we are normally entitled to recognise a substantial portion of the contract sum upon the successful delivery and installation of the software systems and/or equipment, while around 5% to 10% of the contract sum maybe retained by our customer until the expiry of the defects liability period.

Cost of sales

Our cost of sales primarily consists of (i) traffic acquisition cost; (ii) cost of goods sold; and (iii) employee benefit expenses. During the Track Record Period, our cost of sales accounted for 50.0%, 32.9%, 49.8% and 48.1% of our total revenue in FY2019, FY2020, FY2021 and 4M2022, respectively. 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* *(unaudited)*	*%*	*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 Tecent 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.

Traffic acquisitions costs accounted for 79.4%, 58.1%, 69.4% and 82.3% of our total cost of sales in FY2019, FY2020, FY2021 and 4M2022, respectively. Traffic acquisition costs primarily represent (i) as to our traditional marketing and promotion services and advertisement placement services, the costs we paid to downstream marketing channel providers or channel agents; and (ii) as to our advertisement distribution services, the revenue shared to the mobile app operators and/or their distribution agents for the available mobile advertising space in their mobile app. Our traffic acquisition costs may vary due to a number of factors, including the scale and duration of the advertising campaigns and the pricing model adopted by our customers. 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.

Our cost of goods sold during the Track Record Period represents the amounts incurred in the purchase of software and equipment for our solutions on lottery related software system and equipment, such as servers, motherboards, terminal equipment, firewall system and lottery sale machines and related parts and components. The increase in the amount of our purchase of software and equipment in FY2021 was mainly due to the growth in our solutions on lottery related software system and equipment since our acquisition of Xi'an Tiantai in July 2020.

Employee benefits expenses represent the salaries, bonuses and other benefits of our staff directly associated with the provision of our marketing and promotion services and IT solutions services. We recorded relatively higher labour related costs in FY2019 mainly attributable to the costs of technical staff in connection with our mobile game and software development and maintenance services. As the size of our mobile game and software development and maintenance services was reducing during the Track Record Period, we downsized the manpower for mobile games and software development and maintenance services the associated labour related costs also decreased.

Gross Profit and Gross Profit Margin

For FY2019, FY2020, FY2021 and 4M2022, our gross profit was RMB44.7 million, RMB75.9 million, RMB110.2 million and RMB36.7 million, respectively, and our gross profit margin was 50.0%, 67.1%, 50.2% and 51.9%, respectively.

The following table sets forth a breakdown of gross profit and gross profit margin of our Group by business segment for the periods indicated:

	For the year ended 31 December						Four months ended 30 April			
	2019		2020		2021		2021		2022	
	Gross profit RMB'000	*Gross profit margin %*	*Gross profit RMB'000*	*Gross profit margin %*	*Gross profit RMB'000*	*Gross profit margin %*	*Gross profit RMB'000 (unaudited)*	*Gross profit margin %*	*Gross profit RMB'000*	*Gross profit margin %*
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
IT solution 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.

Promotion and Advertising Services

For FY2019, FY2020, FY2021 and 4M2022, the gross profit margin for our promotion and advertising services was 34.9%, 35.6%, 32.9% and 30.9%, respectively. The gross profit margin of our promotion and advertising services during the Track Record Period varies depending on, among other things, the type, duration, scale and pricing arrangement of the individual project.

Traditional marketing and promotion services

During FY2019, FY2020 and FY2021, we recorded an increase in the gross profit margin in our traditional marketing and promotion services, which was primarily because (i) we have ceased to engage in certain projects in FY2021 involving user acquisition which generally had a lower gross profit margin of 20% to 30% in FY2021; (ii) our gross profit margin derived from our transactions with Customer P in FY2019 had recorded a relatively lower gross profit margin of 9.5% because we provided our marketing and promotion services through advertisement placement which involved a higher cost whilst the advertisement placement was not as effective as expected in terms of the number of new users acquired. We had ceased and no longer provide any similar marketing and promotion services to Customer P since FY2020; and (iii) we recorded a relative higher gross profit margin in an offline marketing project in connection with the promotion of a leading online audio broadcasting platform in the PRC with over 130 million monthly active users from November 2020 to January 2021. The decrease in the gross profit margin of our traditional marketing and promotion services from 72.4% for 4M2021 to 28.2% for 4M2022 was mainly attributable to the aforesaid offline marketing project with a relatively higher gross profit margin conducted during the period from November 2020 to January 2021.

Advertisement placement services

We recorded a gross profit margin of 55.3% and 68.4% for our advertisement placement services during FY2021 and 4M2022, respectively. The higher gross profit margin of this business segment was mainly due to the fact that we recognised the revenue from the advertisement placement services on a net basis as the amounts paid to the marketing channel providers and/or their channel agents (net of rebate) has been deducted in arriving our revenue from the advertisement placement services. In FY2021 and 4M2022, the total top-up amounts (net of rebates to our customers (if any) and VAT) received from our customers under our advertisement placement services amounted to RMB493.6 million and RMB128.2 million, respectively, and the fee payable by us to the marketing channel providers and/or their channel agents (net of rebates from suppliers (if any) and VAT), being the most significant cost item of the advertisement placement services, amounted to RMB487.4 million and RMB125.7 million, respectively. Accordingly, the margin of the relevant transactions calculated as a percentage of the total top-up amounts received from our customers during FY2021 and 4M2022 was 1.3% and 1.9%, respectively. Despite that the advertisement placement services has a lower margin than our traditional marketing and promotion services, our Directors consider that the advertisement placement services would be one of the key drivers to our business growth in the future because (i) the advertisement placement services would provide better business continuity than the traditional marketing and promotion services, which was conducted on a project-by-project basis; and (ii) it could be operated on a larger scale. We believe that, with accumulated market experience and developed customers relationship, we would be able to achieve a higher margin from our advertisement placement services going forward.

Advertising distribution services

We recorded a gross profit margin of 26.2%, 30.2% and 28.6% for our advertising distribution services in FY2020, FY2021 and 4M2022, respectively. The gross profit margin of our advertising distribution services may vary depending on, among other things, our fee-sharing arrangement with the individual mobile apps which supplied advertising spaces to us and the proportion of their respective revenue contribution during the relevant period.

Virtual Goods Sourcing and Delivery Services

The gross profit margin of our virtual goods sourcing and delivery services was 98.1%, 96.5%, 96.6% and 96.4% for FY2019, FY2020, FY2021 and 4M2022, respectively. Our virtual goods sourcing and delivery services have a relatively higher margin than our other business segments because we recognised our revenue from the virtual goods sourcing and delivery services on a net basis. See the paragraph headed "— Critical Accounting Policies, Estimates and Judgements — Revenue Recognition" in this section. The purchase costs of the virtual goods, being the most significant cost item for our virtual goods sourcing and delivery services, has been deducted in arriving our revenue on net basis and the other related direct costs were relatively insignificant, thereby resulting in a relatively higher gross profit margin. As advised by iResearch, the gross profit margin of virtual goods sourcing and delivery services providers is generally within 70% to 99%, depending on various factors such as the cost structure and scale of operation of the relevant companies. Based on the advice of iResearch, we consider that the gross profit margin of our virtual goods sourcing and delivery services is in line with the market rates.

The profit margin of our virtual goods sourcing and delivery services, if calculated as the revenue as a percentage of the total GMV of the relevant transactions was 4.4%, 7.7%, 5.5% and 4.9% for FY2019, FY2020, FY2021 and 4M2022, respectively. We recorded a higher profit margin (based on the GMV of the virtual goods offered by us) in our virtual goods sourcing and delivery services in FY2020 and FY2021 mainly due to the increase in the sale of online vouchers and interests which have a higher profit margin than top-up for telecommunication services. Our profit margin from virtual goods sourcing and delivery services decreased from 5.5% in FY2021 to 4.9% in 4M2022 mainly because we offered a more competitive price for the sourcing and delivery of gift cards of gas stations to a new customer.

IT Solutions Services

The overall gross profit margin of our IT solutions services remained relatively stable at 60.2% and 59.6% in FY2019 and FY2020, respectively. The gross profit margin of our IT solutions services decreased to 49.7% in FY2021, mainly attributable to the decrease in the gross profit margin of our solutions on lottery related software systems and equipment as (i) labour costs had increased during FY2020; and (ii) we have expanded our product offerings and the new products, including lottery selling machineries, had a relatively lower gross profit margin as compared to the integrated business security access system (一線通). The gross profit margin of our IT solutions services increased from 52.0% in 4M2021 to 66.8% in 4M2022 which was mainly due to the increase in the gross profit margin of our solutions on lottery related software systems and equipment as we were engaged in a project relating to the development of a supervision platform for a provincial WLIAC during 4M2022 which had a relatively higher profit margin.

Other income and other gains or losses

The following table sets forth the breakdown of other income for the year/period indicated:

	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*
Other income					
Bank interest income	75	156	249	102	65
Government grants	3,106	4,308	3,997	1,058	929
Net gain on disposal of financial assets at FVTPL	555	749	–	–	–
Gain on financial assets acquired through business combination	–	2,779	910	41	–
Others	295	183	2,217	20	526
	4,031	8,175	7,373	1,221	1,520

Other income of the Group mainly represents bank interest income, government grants and net gain on disposal of financial assets at FVTPL. In FY2019, FY2020, FY2021 and 4M2022, other income amounted to RMB4.0 million, RMB8.2 million, RMB7.4 million and RMB1.5 million, respectively. The net gain on disposal of financial assets at FVTPL represents our net gain from the acquisition and disposal of non-principal guaranteed commercial bank wealth management products issued by major and reputable financial institutions in the PRC in the corresponding years. For details of our financial assets at FVTPL, please refer to the paragraphs headed " Liquidity and Capital Resources — Financial Assets at FVTPL" in this section. We recorded government grants in the amount of RMB3.1 million, RMB4.3 million, RMB4.0 million and RMB0.9 million for the FY2019, FY2020, FY2021 and 4M2022, respectively, which primarily comprise of subsidies and/or rewards in support of high-tech enterprise and research and development which were given on a one-off basis during the Track Record Period and at the discretion of the local government authorities. Our gain on financial assets acquired through business combination represents our gain from the subsequent reversal of provision for expected credit loss on trade receivables and contract assets recorded at the acquisition of Xi'an Tiantai.

Impairment Losses on Financial Assets

The following sets forth a breakdown of our impairment losses of financial assets 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* *(unaudited)*	*RMB'000*
Provision for impairment losses on financial assets					
– Contract assets	12	(98)	(136)	(983)	(51)
– Trade receivables	(90)	(1,421)	(3,875)	(3,772)	(978)
– Other receivables	(22)	77	38	30	(52)
	(100)	(1,442)	(3,973)	(4,725)	(1,081)

Impairment losses on financial assets represents net expected credit loss arising from potential bad debts in respect of our contract assets, trade receivables and other receivables in the ordinary course of business of our Group. We recorded net impairment losses recognised in respect of contract asset, trade and other receivables in aggregate of RMB100,000, RMB1.4 million, RMB4.0 million and RMB1.1 million in FY2019, FY2020, FY2021 and 4M2022, respectively.

Gain on Disposal of Subsidiaries

During FY2019 and FY2020, our Group had disposed its interests in two insignificant non-wholly owned subsidiaries, which had no substantive operation or revenue contribution to our Group, to Independent Third Parties at considerations in excess of the net assets of such subsidiaries that were attributable to the Group. Accordingly, we have recorded gain on disposal of subsidiaries of approximately RMB0.1 million and RMB0.5 million in FY2019 and FY2020, respectively. For further details, please refer to the section headed "History, Development and Reorganisation — Reorganisation for [**REDACTED**]" and Note 40 of the Accountants' Reports in Appendix I to this document.

Selling and distribution expenses

Our selling and distribution expenses primarily comprise (i) employee benefit expenses, which mainly include salaries, bonuses and other benefits for our sales and marketing personnel; (ii) travel and entertainment expenses; (iii) advertising and promotion expenses; (iv) rentals, depreciation and impairment of right-of-use assets; (v) service fees mainly in relation to technical support, software development and installation of equipment for our solutions on lottery related software system and equipments and (vi) others. The following table sets forth a breakdown of our selling and distribution expenses 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* *(unaudited)*	%	*RMB'000*	%
Employee benefit expenses	2,284	59.5	2,069	42.0	2,761	28.9	785	41.4	1,967	59.8
Travel and entertainment expenses	383	10.0	967	19.6	3,479	36.4	791	41.7	720	21.9
Advertising and promotion expenses	5	0.1	334	6.8	924	9.7	22	1.2	55	1.7
Rentals, depreciation and impairment of right-of-use assets	881	22.9	85	1.7	692	7.2	134	7.1	307	9.3
Service fees *(Note)*	64	1.6	987	20.0	1,186	12.4	25	1.3	77	2.4
Others	227	5.9	489	9.9	519	5.4	138	7.3	161	4.9
Total	3,844	100.0	4,931	100.0	9,561	100.0	1,895	100.0	3,287	100.0

Note: Service fees primarily include fees paid to external service providers for market research, technical support, development and installation of lottery-related equipment and software system equipment. Such amount increased in FY2020 and FY2021 mainly due to our Group's acquisition of Xi'an Tiantai.

Our selling and distribution expenses amounted to RMB3.8 million, RMB4.9 million, RMB9.6 million and RMB3.3 million during FY2019, FY2020, FY2021 and 4M2022, respectively. Such increase was mainly attributable to the increase in travel and entertainment expenses, services fee and employee benefit expenses in connection with our solutions on lottery-related software system and equipment following our acquisition of Xi'an Tiantai in July 2020.

Administrative expenses

Our administrative expense primarily consists of (i) employee benefit expenses, which mainly include salaries, bonuses and other benefits for our administrative personnel; (ii) travel and entertainment expenses; (iii) professional fees; (iv) general office expenses; and (v) others. The following table sets forth the components of our administrative expenses for the years indicated:

	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*	*%*
Employee benefit expenses	5,218	53.1	5,629	45.0	8,106	58.3	2,379	55.3	2,647	60.5
Travel and entertainment	874	8.9	1,569	12.5	705	5.1	172	4.0	231	5.3
Lease related expenses(1)	179	1.8	779	6.2	1,450	10.4	442	10.3	347	7.9
Depreciation and amortisation	110	1.1	299	2.4	439	3.2	129	3.0	72	1.6
Professional fees(2)	237	2.4	259	2.1	193	1.4	123	2.9	84	1.9
Impairment expenses(3), (4)	2,339	23.8	1,962	15.7	–	–	–	–	–	–
General office expenses	583	5.9	1,332	10.7	1,089	7.8	536	12.4	337	7.7
Others	290	3.0	678	5.4	1,918	13.8	519	12.1	659	15.1
Total	9,830	100.0	12,507	100.0	13,900	100.0	4,300	100.0	4,377	100.0

Notes:

(1) Lease related expenses mainly include property management fees, rentals and depreciation of right-of-use assets.

(2) Professional fees mainly include auditor's remuneration, legal fees, tax consultancy fees, professional fees for assessing the "High and New Technology Enterprise" status of our subsidiaries.

(3) We recorded an impairment loss on goodwill of RMB2.3 million in FY2019 in connection with Jiangxi Yunjia and Wuhan Cairun. For details, please refer to respective paragraph headed "Discussion of Selected Items in the Consolidated Statements of Financial Position Items – Goodwill" in this document and Notes 16 and 17 of the Accountants' Report in Appendix I to this document.

(4) We recorded impairment expenses of RMB2.0 million in FY2020 in relation to advances made by us to a supplier in connection with our procurement of advertisement placement services for a customer which is an online game operator. Such advances had not been utlised by us for two years because the relevant customer had ceased to operate the relevant online game and therefore no longer engage us for promotion and advertising services since January 2020. As at the Latest Practicable Date, the relevant supplier had fully refunded the unutilised amounts to us. Accordingly, we recorded other income of approximately RMB1.9 million (being the unutilised amounts after deducting VAT) in FY2021.

We recorded administrative expenses amounted to RMB9.8 million, RMB12.5 million, RMB13.9 million and RMB4.4 million for FY2019, FY2020, FY2021 and 4M2022, respectively. The increase in our administrative expense during the Track Record Period was mainly attributable to (i) the increase in employee benefit expenses of our administrative staff which was in line with our business growth; and (ii) the impairment expenses in connection with goodwill of Jiangxi Yunjia and Wuhan Cairun in FY2019 and advance to a supplier in FY2020.

Research and development expenses

Our research and development expenses primarily consist of (i) employee benefit expenses, which primarily comprise the salaries, bonuses and other benefits of our research and development staff; (ii) technical service and copyright fees, which mainly represent expenses for R&D projects outsourced to an university and other external institutions and acquisition cost for copyrights; and (iii) depreciation of property, plant and equipment. The following table sets forth a breakdown of our research and development expenses 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* *(unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses	2,530	32.3	6,676	71.3	14,724	79.1	3,730	72.9	4,510	94.3
Technical service and copyright fees (*Note 1*)	3,943	50.3	1,000	10.7	2,492	13.4	692	13.5	–	–
Depreciation and amortisation	800	10.2	1,145	12.2	852	4.6	411	8.0	143	3.0

	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*	%
Rentals and depreciation of right-of-use assets	192	2.5	142	1.5	8	0.1	6	0.1	12	0.3
Travel and entertainment	157	2.0	26	0.3	156	0.8	26	0.5	34	0.7
Others (*Note 2*)	212	2.7	376	4.0	379	2.0	251	5.0	82	1.7
Total	7,834	100.0	9,365	100.0	18,611	100.0	5,116	100.0	4,781	100.0

Notes:

1. Our technical service and copyright fees for FY2019 includes the cost of our acquisition of copyright of mobile games of RMB2.6 million. Such acquisition was part of our initial business initiative to explore the possibility of developing into a mobile game operator. As such business initiative has not materialised subsequently, we recorded the acquisition cost of such copyright as research and development expenses in FY2019.

2. Others mainly include general office expenses and services fees in connection with the registration of copyright of software.

For FY2019, FY2020, FY2021 and 4M2022, we recorded research and development expenses of RMB7.8 million, RMB9.4 million, RMB18.6 million and RMB4.8 million, respectively. The increase in our research and development expenses during the Track Record Period was mainly attributable to the increase in the number of our research and development staff as a result of our business expansion. Our employee benefit expenses for research and development personnel amounted to RMB2.5 million, RMB6.7 million, RMB14.7 million and RMB4.5 million for FY2019, FY2020, FY2021 and 4M2022, respectively.

[**REDACTED**]

Our [**REDACTED**] comprised of professional fees and other expenses in relation to the [**REDACTED**]. Our [**REDACTED**] amounted to RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] for FY2020, FY2021 and 4M2022, respectively. We did not record any [**REDACTED**] for FY2019.

Finance costs

Our finance costs mainly represent interest expenses on bank borrowings and lease liabilities. For details of our borrowings and lease liabilities, please refer to the parargaphs headed "Indebtedness" in this section. Our finance costs during FY2019, FY2020, FY2021 and 4M2022 amounted to RMB82,000, RMB353,000, RMB674,000 and RMB376,000, respectively. The following table sets forth a breakdown of our finance costs 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 (unaudited)*	*RMB'000*
Interest expenses on bank borrowings	–	335	673	176	376
Interest expenses on lease liabilities	82	18	1	1	–
	82	353	674	177	376

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Islands profits tax

Our Group was incorporated in the Cayman Islands as an exempted company with limited liabilities under the current law of Cayman Islands. Our Group is not subject to any profit tax in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong during the Track Record Period.

(iii) PRC corporate income tax

Pursuant to EIT Law of the PRC and the Implementation Regulation on the EIT Law, the applicable tax rate of our subsidiaries operating in the PRC during the Track Record Period was 25% of their taxable profits. Nevertheless, members of our Group was entitled to the following preferential tax treatment during the Track Record Period:

(i) Hangzhou Rego was accredited as "Software Enterprise" and obtained the relevant certificate in 2018 and was entitled to full exemption from EIT for two years beginning from its first profitable calendar year and a 50% reduction for the subsequent three calendar years. Therefore, Hangzhou Rego was entitled to a preferential income tax rate of 12.5% in FY2019, FY2020 and FY2021. In addition, Hangzhou Rego was accredited as a "High and New Technology Enterprise" in 2020 and would be entitled to a preferential EIT rate of 15% up to December 2023.

(ii) Zhejiang Runye was accredited as a "Software Enterprise" in 2019 and was therefore exempted from EIT in FY2019 and FY2020 and entitled to a preferential income tax rate of 12.5% in FY2021.

(iii) Jiangxi Yunjia was accredited as a "Software Enterprise" in 2018 and was therefore exempted from EIT in FY2019 and FY2020. In 2021, Jiangxi Yunjia was entitled to preferential tax treatment due to its classification as a "micro and small business".

(iv) Xi'an Tiantai was accredited as a "High and New Technology Enterprise" in 2019 (which was renewed in 2022) and entitled to a preferential EIT rate of 15% in FY2020 and FY2021.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective and updated from 2017 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year (i.e. the Super Deduction). The tax effect of Super Deduction amounted to RMB2.0 million, RMB2.9 million, RMB3.9 million and RMB1.4 million during the FY2019, FY2020, FY2021 and 4M2022, respectively.

For FY2019, FY2020, FY2021 and 4M2022, our income tax expenses were RMB1.2 million, RMB4.4 million, RMB7.2 million and RMB3.2 million, respectively, and our effective tax rate for the corresponding period was 4.5%, 8.9%, 12.7% and 13.9%, respectively. Our effective tax rate increased during the Track Record Period primarily due to the expiration of certain tax exemptions by Hangzhou Rego and Zhejiang Runye in connection with their accreditation as "Software Enterprise" since FY2019 and FY2021, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

4M2022 compared to 4M2021

Revenue

Our revenue increased by RMB6.9 million or 10.9% from RMB63.8 million for 4M2021 to RMB70.7 million for 4M2022. Such increase was mainly attributable to the increase in our revenue from our (i) virtual goods sourcing and delivery services by RMB2.7 million; and (ii) mobile game and software development and maintenance services by RMB2.6 million.

Promotion and Advertising Services

Our revenue from promotion and advertising services increased slightly from RMB42.2 million in 4M2021 to RMB42.4 million in 4M2022. Such increase was mainly attributable to the growth in our revenue from advertisement placement services which commenced in March 2021, which was partially offset by the decrease in our traditional marketing and promotion services.

Virtual Goods Sourcing and Delivery Services

Our revenue from virtual goods sourcing and delivery services increased by RMB2.7 million from RMB13.0 million for 4M2021 to RMB15.7 million for 4M2022, which was mainly attributable to the increase our revenue from the sourcing and delivery of online vouchers and interests by RMB1.4 million attributable to Customer H, which was one of our major customers in FY2020, FY2021 and 4M2022, and revenue of RMB1.8 million from Customer W, a new customer in 4M2022.

IT Solutions Services

Our revenue from IT solutions services increased by RMB4.1 million from RMB8.5 million for 4M2021 to RMB12.6 million for 4M2022, which was mainly attributable to revenue of RMB2.6 million generated from our software development services in connection with the development of a marketing SaaS platform provided to a new customer, which is a subsidiary of one of the major telecommunication operators in the PRC. We also recorded an increase in revenue from our solutions on lottery related software systems and equipment by RMB1.5 million which was mainly attributable to the provision of software development services relating to a supervision platform for a provincial WLIAC during 4M2022.

Cost of Sales

Our cost of sales increased from by RMB2.7 million or 8.5% from RMB31.3 million for 4M2021 to RMB34.0 million for 4M2022 which was primarily due to the increase in our traffic acquisition costs by RMB1.5 million mainly attributable to our advertisement distribution services.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB4.2 million or 13.1% from RMB32.5 million in 4M2021 to RMB36.7 million in 4M2022, which was mainly attributable to the increase in our gross profit from virtual goods sourcing and delivery services by RMB2.5 million and solutions on lottery related software systems and equipment by RMB2.2 million. Our overall gross profit margin increased slightly from 50.9% for 4M2021 to 51.9% for 4M2022. Such increase was mainly attributable to the increase in the gross profit margin of solutions on lottery related software systems and equipment.

Promotion and Advertising Services

The gross profit of our promotion and advertising services decreased by RMB2.2 million or 14.2% from RMB15.3 million for 4M2021 to RMB13.1 million for 4M2022, mainly due to the decrease in gross profit from the traditional marketing and promotion services by RMB1.9 million and advertisement distribution services by RMB1.5 million. The gross profit margin of our promotion and advertising services decreased from 36.2% for 4M2021 to 30.9% for 4M2022. Such decrease was mainly due to the decrease in our profit margin from traditional marketing and promotion services as we were engaged in an offline marketing project with a relatively higher gross profit margin conducted during 4M2021 and the decrease in our profit margin from advertisement distribution services from 32.5% in 4M2021 to 28.6% in 4M2022. The fluctuations in our gross profit margin for advertising distribution services was mainly due to a decrease in our profit share with certain suppliers, being mobile apps operators or their agents, during 4M2022 as compared to 4M2021.

Virtual Goods Sourcing and Delivery Services

The gross profit of our virtual goods sourcing and delivery services increased by RMB2.5 million or 20.1% from RMB12.6 million for 4M2021 to RMB15.1 million for 4M2022 which was mainly attributable to the increase in revenue from the sourcing and delivery of online vouchers and interests. Gross profit margin of our virtual goods sourcing and delivery services remained stable at 97.3% and 96.4% in 4M2021 and 4M2022, respectively.

IT Solutions Services

The overall gross profit of our IT solutions services increased by RMB4.0 million or 90.3% from RMB4.4 million for 4M2021 to RMB8.4 million for 4M2022. Gross profit margin of our IT solutions services also increased from 52.0% in 4M2021 to 66.8% in 4M2022. Such increase was attributable to (i) the increase in our gross profit from mobile game and software development and maintenance services by RMB1.8 million mainly attributable to the increase in revenue from the development of a marketing SaaS platform provided to a new customer; and (ii) the increase in our gross profit of RMB2.2 million and gross profit margin of 31.3% from our solutions on lottery related software systems and equipment which was mainly attributable to the provision of software development services relating to 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.

Other Income and Other Gains or Losses

Our other income increased by RMB0.3 million or 24.5% from RMB1.2 million for 4M2021 to RMB1.5 million for 4M2022. Such increase was mainly attributable to the reversal of selling and distribution expenses in the amount of RMB0.5 million recognised in FY2021 as a result of the termination of the marketing services to be provided to us by a third party service provider.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB1.4 million or 73.5% from RMB1.9 million in 4M2021 to RMB3.3 million in 4M2022, which was mainly attributable to the increase in employee benefit expenses as a result of the increase in number of sales personnel for our solutions on lottery-related software system and equipment segment.

Administrative Expenses

Our administrative expenses slightly increased from RMB4.3 million in 4M2021 to RMB4.4 million in 4M2022, which was mainly attributable to the increase in employee benefit expenses for our administrative personnel.

Research and Development Expenses

Our research and development expenses decreased by RMB0.3 million or 6.5% from RMB5.1 million in 4M2021 to RMB4.8 million in 4M2022 primarily because employee benefit expenses in respect of our research and development staff of RMB2.2 million incurred during 4M2022 was recorded under cost of sales.

Income Tax Expense

Our income tax expense increased by RMB0.6 million from RMB2.6 million in 4M2021 to RMB3.2 million in 4M2022, which was in line with the increase in our revenue and profit during 4M2022.

Profit for the Period

As a result of the foregoing, our profit for the period increased by RMB7.9 million or 66.0% from RMB11.9 million for 4M2021 to RMB19.8 million for 4M2022. Our net profit margin increased from 18.7% for 4M2021 to 27.9% for 4M2022, primarily due to the increase in our gross profit and decrease in our [**REDACTED**] recorded during 4M2022 as compared to 4M2021.

FY2021 compared to FY2020

Revenue

Our revenue increased by RMB106.5 million or 94.2% from RMB113.0 million for FY2020 to RMB219.5 million for FY2021. Such increase was attributable to (i) the increase in our revenue from marketing and promotion services by RMB83.0 million; and (ii) the increase in our revenue from IT solutions services by RMB23.7 million.

Promotion and Advertising Services

Our revenue from promotion and advertising services increased by RMB83.7 million from RMB35.2 million for FY2020 to RMB118.9 million for FY2021, mainly due to the significant growth in our revenue from advertisement distribution services from RMB18.5 million for FY2020 to RMB107.9 million in FY2021 mainly attributable to the increase in demand from one of our customer of the advertisement distribution services, who was an advertising agents of sizable media publishers. The increase in revenue from advertisement distribution services was partially offset by the decrease in revenue from our traditional marketing and promotion services from RMB16.7 million for FY2020 to RMB4.7 million for FY2021, mainly due to a shift of our business focus to advertisement distribution services and advertisement placement services.

Virtual Goods Sourcing and Delivery Services

Our revenue from virtual goods sourcing and delivery services decreased by RMB0.7 million from RMB45.3 million for FY2020 to RMB44.6 million for FY2021, primarily because one of the customers who purchased online vouchers and interests from us in FY2020 had ceased its business relationship with our Group due to a shift of the business focus of such customer. Such decrease was partially offset by the increase in the sales generated from some of our existing customers.

IT Solutions Services

Our revenue from IT solutions services increased by RMB23.8 million from RMB31.9 million for FY2020 to RMB55.7 million for FY2021, which was mainly attributable to the increase in our revenue from solutions on lottery related software systems and equipment of RMB20.4 million due to the expansion of products and services offered by us after our acquisition of Xi'an Tiantai in July 2020. Our revenue from mobile game and software development and maintenance services also increased by RMB3.4 million from RMB7.9 million for FY2020 to RMB11.3 million for FY2021, mainly due to the increase in the amount of users' spending of the mobile game operated by Customer A1 of which we are entitled to sharing of revenue.

Cost of Sales

Cost of sales increased by RMB72.2 million or 194.2% from RMB37.2 million for FY2020 to RMB109.3 million for FY2021. Such increase was mainly due to (i) increase in traffic acquisition cost of RMB54.3 million mainly attributable to the increase in the amounts payable to mobile app operators or their distribution agents following the expansion of our advertisement distribution services in FY2021; and (ii) increase in cost of goods sold of RMB9.2 million, primarily resulted from the expansion in our solutions for lottery-related software system and equipment.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB34.3 million or 45.2% from RMB75.9 million for FY2020 to RMB110.2 million for FY2021, which was mainly attributable to the increase in our gross profit from our advertisement distribution service and solutions for lottery-related software system and equipment by RMB27.8 million and RMB5.8 million, respectively.

Our overall gross profit margin decreased from 67.1% for FY2020 to 50.2% for FY2021. Such decrease was mainly attributable to the increase in the revenue contribution of our advertisement distribution services which has a lower gross profit margin than our other business segments.

Promotion and Advertising Services

The gross profit of our promotion and advertising services increased by RMB26.5 million or 211.6% from RMB12.5 million for FY2020 to RMB39.1 million for FY2021, mainly attributable to the growth in our advertisement distribution services in FY2021. The gross profit margin of our promotion and advertising services decreased from 35.6% for FY2020 to 32.9% for FY2021. Such decrease was mainly due to the increase in the revenue contribution of our advertisement distribution services which has a lower gross profit margin.

Virtual Goods Sourcing and Delivery Services

The gross profit of our virtual goods sourcing and delivery services decreased slightly for RMB0.6 million or 1.4% from RMB43.7 million for FY2020 to RMB43.1 million for FY2021, which was mainly due to the decrease in revenue from our virtual goods sourcing and delivery services in FY2021. Gross profit margin of our virtual goods sourcing and delivery services remained stable at 96.6% for FY2021, as compared to the gross profit margin of 96.5% in FY2020.

IT Solutions Services

The gross profit of our IT solutions services increased by RMB8.6 million or 45.2% from RMB19.0 million for FY2020 to RMB27.7 million for FY2021 which was due to the increase in gross profit from our mobile game and software development and maintenance services and solutions of lottery-related soft systems and equipment by RMB2.8 million and RMB5.8 million, respectively. Gross profit margin of our IT solutions services decreased from 59.6% for FY2020 to 49.7% for FY2021, mainly due to the decrease in gross profit margin of our solutions for lottery-related software system and equipment, which was mainly resulted from (i) the increase in labour costs; and (ii) the new products offered by us which had a relatively lower gross profit margin.

Other Income and Other Gains or Losses

Our other income decreased slightly by RMB0.8 million or 9.8% from RMB8.2 million for FY2020 to RMB7.4 million for FY2021. The decrease was mainly attributable to (i) decrease in the reversal of provision for expected credit loss on trade receivables and contract assets recorded at acquisition of Xi'an Tiantai of RMB1.9 million; and (ii) the fact that we had not purchased wealth management products in FY2021. Such decrease was partially offset by the increase in other income arising from the refund of RMB1.9 million (net of VAT) from a supplier of unutilised advances payment which was recognised as impairment expenses in FY2020.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB4.6 million or 93.9% from RMB4.9 million for FY2020 to RMB9.6 million for FY2021 primarily due to the increase in the travel and entertainment expenses of our sales and marketing personnel of RMB2.5 million.

Administrative Expenses

Our administrative expenses increased by RMB1.4 million or 11.1% from RMB12.5 million for FY2020 to RMB13.9 million for FY2021, primarily attributable to the increase in employee benefit expenses for our administrative personnel of RMB2.5 million being partially offset by the decrease in our impairment expenses from RMB2.0 million for FY2020 to nil for FY2021 as we have not incurred any impairment expenses in FY2021.

Research and Development Expenses

Our research and development expenses increased by RMB9.2 million or 98.7% from RMB9.4 million for FY2020 to RMB18.6 million for FY2021, primarily due to the increase in (i) employee benefit expenses of RMB8.0 million arising from the increase in the number of our research and development personnel; and (ii) technical service and copyright fees by RMB1.5 million in connection with R&D projects outsourced to external institutions.

Income Tax Expenses

Our income tax expenses increased by RMB2.8 million or 64.1% from RMB4.4 million for FY2020 to RMB7.2 million for FY2021 and our effective tax rate increase from 8.9% for FY2020 to 12.7% for FY2021, primarily due to (i) the increase in our profit before income tax from RMB49.9 million for FY2020 to RMB57.2 million for FY2021; and (ii) the increase in expenses which were not deductible for tax purpose.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB4.5 million or 9.9% from RMB45.5 million for FY2020 to RMB50.0 million for FY2021. Our net profit margin decreased from 40.2% for FY2020 to 22.8% for FY2021, primarily due to the increases in our [**REDACTED**] and other expenses related to our business operation.

FY2020 compared to FY2019

Revenue

Our revenue increased by RMB23.7 million or 26.5% from RMB89.4 million for FY2019 to RMB113.0 million for FY2020 primarily attributable to the increase in revenue from virtual goods sourcing and delivery services and IT solution services.

Promotion and Advertising Services

Our revenue from promotion and advertising services decreased by RMB21.4 million or 37.8% from RMB56.7 million for FY2019 to RMB35.2 million for FY2020, which was mainly because (i) the demand for our traditional marketing and promotion services in 2020 was affected by the outbreak of the COVID-19 pandemic; and (ii) we have allocated part of our resources to the expansion of our service offerings by providing advertisement placement services and advertisement distribution services, which commenced in 2021 and September 2020, respectively. For details, please refer to the paragraphs headed "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 — (i) Promotion and Advertising Services" in this section.

Virtual Goods Sourcing and Delivery Services

Our revenue from virtual goods sourcing and delivery services increased by RMB32.9 million or 265.0% from RMB12.4 million for FY2019 to RMB45.3 million for FY2020, which was mainly attributable to (i) the increase in revenue from the provision of online vouchers and interests of RMB22.8 million as a result of the increase in product offerings on our Rego Virtual Goods Platform; and (ii) the increase in the revenue from our provision of top-up for telecommunication services and gift cards for gas stations in the amount of RMB10.1 million.

IT Solutions Services

Our revenue from IT solutions services increased by RMB12.9 million or 68.2% from RMB19.0 million for FY2019 to RMB31.9 million for FY2020. Such increase was mainly attributable to the increase in revenue from our solutions on lottery related software systems and equipment by RMB22.9 million due to additional services provided after our strategic acquisition of Xi'an Tiantai in July 2020. The increase in revenue from our IT solutions services was partially offset by the decrease in revenue from mobile game and software development and maintenance services by RMB9.9 million primarily because (i) we have not engaged in any software development projects in FY2020; and (ii) decrease in revenue generated from Customer A1. For details, please refer to the paragraphs headed "Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue – 2. Revenue from our IT Solutions Services – (i) Mobile Game and Software Development and Maintenance Services" in this section.

Cost of sales

Cost of sales decreased by RMB7.5 million or 16.8% from RMB44.7 million for FY2019 to RMB37.2 million for FY2020. Such decrease was mainly attributable to the decrease in traffic acquisition costs of RMB13.9 million mainly because the demand for traditional marketing and promotion was affected by the outbreak of the COVID-19 pandemic resulting a decrease in the associated traffic acquisition costs which was partially offset by the increase in cost of goods sold of RMB7.6 million attributable to the equipment procured for our solutions on lottery-related software and equipment.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB31.2 million or 69.8% from RMB44.7 million for FY2019 to RMB75.9 million for FY2020. Our gross profit margin increased from 50.0% for FY2019 to 67.1% for FY2020, which was mainly due to the increase in the revenue contribution of the virtual goods sourcing and delivery services which has a higher gross profit margin.

Promotion and Advertising Services

Our gross profit from promotion and advertising services decreased by RMB7.2 million or 36.6% from RMB19.8 million for FY2019 to RMB12.5 million for FY2020 whilst its gross profit margin increased slightly from 34.9% for FY2019 to 35.6% for FY2020.

Virtual Goods Sourcing and Delivery Services

Our gross profit from virtual goods sourcing and delivery services increased by RMB31.6 million or 259.2% from RMB12.2 million for FY2019 to RMB43.7 million for FY2020 whilst its gross profit margin decreased slightly from 98.1% for FY2019 to 96.5% for FY2020.

IT Solutions Services

Our gross profit from IT solutions services increased by RMB7.6 million or 66.6% from RMB11.4 million for FY2019 to RMB19.0 million for FY2020 mainly due to the expansion of our business following our acquisition of Xi'an Tiantai in July 2020. The gross profit margin from IT solution services remained stable at 60.2% for FY2019 and 59.6% for FY2020.

Other Income and Other Gains or Losses

Other income increased by RMB4.1 million or 102.8% from RMB4.0 million for FY2019 to RMB8.2 million for FY2020. The increase was primarily due to (i) increase in government grants received by us of RMB1.2 million; and (ii) our gain from the reversal of provision for expected credit loss on trade receivables and contract assets received at the acquisition of Xi'an Tiantai in 2020.

Selling and Distribution Expenses

Selling and distribution expenses increased by RMB1.1 million or 28.3% from RMB3.8 million for FY2019 to RMB4.9 million for FY2020 primarily due to (i) the increase in travel and entertainment expenses by RMB0.6 million; and (ii) the increase in service fees of RMB0.9 million, mainly attributed to the expansion of our solutions on lottery related software systems and equipment after our acquisition of Xi'an Tiantai in 2020. The increase in selling and distribution expenses was partially offset by the decrease in rentals, depreciation and impairment of right-of-use assets of RMB0.8 million because certain lease agreements of the lottery shops has already been terminated in 2019, leading to lower amount of depreciation and impairment of right-of-use assets being recorded in 2020.

Administrative Expenses

Administrative expenses increased by RMB2.7 million or 27.2% from RMB9.8 million for FY2019 to RMB12.5 million for FY2020. The increase was primarily due to (i) the increase in general office expense of RMB0.7 million; and (ii) increase in travel and entertainment expenses of RMB0.7 million and lease related expenses of RMB0.6 million, primarily attributable to the operation of Xi'an Tiantai which was acquired by us in July 2020.

Research and Development Expenses

Our research and development expenses increased by RMB1.5 million or 19.5% from RMB7.8 million in FY2019 to RMB9.4 million in FY2020. The increase was primarily due to increase in employee benefit expenses of RMB4.1 million resulted from our business expansion after our acquisition of Xi'an Tiantai in July 2020.

Income Tax Expense

Income tax expense increased by RMB3.2 million from RMB1.2 million for FY2019 to RMB4.4 million for FY2020 whilst the effective tax rate increased from 4.5% for FY2019 to 8.9% for FY2020. Such increase was mainly due to increase in expenses not deductible for tax purpose in FY2020, including impairment expenses and part of our [**REDACTED**].

Profit for the Year

As a result of the foregoing, profit for the year increased by RMB19.5 million or 75.3% from RMB25.9 million for FY2019 to RMB45.5 million for FY2020. Our net profit margin increased from 29.0% for FY2019 to 40.2% for FY2020 which was mainly due to increase in our gross profit margin as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from internally generated funds from our operating activities and borrowings. As at 31 December 2019, 2020, 2021 and 30 April 2022, we had cash and cash equivalents of RMB42.3 million, RMB32.1 million, RMB61.5 million and RMB25.4 million, respectively.

Our principal uses of cash have been, and are expected to continue to be, working capital and capital expenditures for the expansion of our business. We expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the [**REDACTED**] from the [**REDACTED**], bank balances, cash and other possible equity and debt financing as and when appropriate.

Cash Flows of our Group

The following table sets forth the selected cash flow data from the consolidated statements of cash flows 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* *(unaudited)*	*RMB'000*
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)

	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*
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/period	15,267	42,346	32,062	32,062	61,475
Cash and cash equivalents at end of the year/period	42,346	32,062	61,475	11,814	25,408

Net Cash Generated from/(used in) Operating Activities

Our cash inflow from operating activities is principally derived from the receipt of proceeds for our operation. Our cash outflow from operating activities comprised mainly payment for various costs such as traffic acquisition costs, employee benefit expense and other operating expenses.

During 4M2022, we recorded net cash used in operating activities of RMB56.4 million. This amount represents our profit before income tax of RMB22.9 million and adjusted for (i) certain non-cash gains, loss and expenses mainly included the amortisation of intangible assets of RMB1.3 million; (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included increase in trade receivables of RMB51.8 million and decrease in amounts due to related parties of RMB23.0 million; and (iii) income tax paid of RMB2.3 million. Our operating cash outflow during 4M2022 was mainly resulted from the increase in our trade receivables due to 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. Our Directors are of the view that our operating cash flow will improve going forward because (i) the delays in settlement of trade receivables by our customers were temporary. As at 21 September 2022, 85.3% of our trade receivable balance (before provisions for ECL) as at 30 April 2022 had been settled by our customers; (ii) we have adopted internal policy to, among other things, monitor the capital needs in our operations and the collection progress of our trade receivables; and (iii) we expect to generate more cash flow from our operating activities as our business further develops and expands.

During 4M2021, we recorded net cash used in operating activities of RMB30.3 million. This amount represents our profit before income tax of RMB14.5 million and adjusted for (i) certain non-cash gains, loss and expenses, mainly included provision for impairment loss on trade receivables of RMB3.8 million; (ii) changes in certain working capital items that negatively affected the operating cash flow, including the increase in trade receivables of RMB24.6 million and prepayments, deposits and other receivables of RMB30.6; and (iii) income tax paid of RMB1.3 million.

During FY2021, we had net cash generated from operating activities of RMB26.6 million. This amount represents our profit before income tax of RMB57.2 million and adjusted for (i) certain non-cash gains, loss and expenses mainly included provision for impairment loss on trade receivables of RMB3.9 million and amortisation of intangible assets of RMB3.8 million; (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included increase in trade receivables of RMB48.0 million, increase in prepayments, deposits and other receivables of RMB11.4 million and decrease in amounts due to related parties of RMB16.4 million, being partially offset by certain working capital items that positively affected operating cash flow, mainly included increase in trade payables and other payables and accruals of RMB31.0 million and RMB10.9 million, respectively; and (iii) income tax paid of RMB4.5 million.

For FY2020, we had net cash generated from operating activities of RMB16.0 million. This amount represents profit before income tax of RMB49.9 million, adjusted for (i) certain non-cash gains and expense, mainly included amortisation of intangible assets of RMB1.4 million and depreciation of property, plant and equipment of RMB1.4 million; (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included increase in prepayments, deposits and other receivables of RMB23.7 million and decrease in other payables and accruals of RMB8.0 million, being partially offset by changes in certain working capital items that positively affected operating cash flow, mainly included decrease in contract assets of RMB1.6 million and inventories of RMB1.7 million and increase in contract liabilities of RMB1.7 million; and (iii) income tax paid of RMB0.7 million.

For FY2019, we had net cash generated from operating activities of RMB31.2 million. This amount represents profit before income tax of RMB27.2 million, adjusted for (i) certain non-cash gains and expense, mainly included impairment loss on goodwill of RMB2.4 million and depreciation of property, plant and equipment of RMB0.9 million; (ii) changes in certain working capital items that positively affected operating cash flow, mainly included decrease in contract assets of RMB0.9 million and increase in trade payables of RMB2.8 million, partially offset by changes in certain working capital items that negatively affected operating cash flow, mainly included increase in prepayments, deposits and other receivables of RMB2.1 million and decrease in other payables and accruals of RMB1.3 million; and (iii) income tax paid of RMB0.1 million.

Net Cash Used in Investing Activities

Our cash inflow from investing activities primarily consists of proceeds from disposal of financial assets at FVTPL. Our cash outflow from investing activities primarily consists of purchase of property, plant and equipment and intangible assets, acquisition of subsidiaries and financial assets at FVTPL.

During 4M2022, we had net cash used in investing activities of RMB151,000, mainly attributable to cash used in the purchase of intangible assets of RMB131,000.

During FY2021, we had net cash used in investing activities of RMB7.2 million, mainly due to (i) cash outflow of RMB6.3 million resulted from the termination of the Contractual Arrangements with Zhejiang Runye; and (ii) cash used in purchase of intangible assets of RMB2.1 million, being partially offset by cash generated from withdrawal of pledged bank deposits of RMB1.4 million.

For FY2020, we had net cash used in investing activities of RMB21.5 million, which primarily resulted from (i) acquisition of Xi'an Tiantai of RMB14.1 million, and (ii) purchase of intangible assets of RMB8.1 million, being partially offset by proceeds from disposal of subsidiaries of RMB0.5 million and net proceeds from disposal of financial assets at FVTPL of RMB0.7 million.

For FY2019, we had net cash used in investing activities of RMB4.8 million, which primarily resulted from (i) purchases of intangible assets of RMB3.2 million; and (ii) purchases of property, plant and equipment of RMB1.6 million.

Net Cash Generated From/(Used In) Financing Activities

Our cash inflow from financing activities primarily consists of proceeds from bank borrowings, and proceeds from non-controlling interests' capital injection. Our cash outflow from financing activities mainly consists of repayment of bank borrowings and its interest and repayment of principal portion of lease liabilities and its interest.

During 4M2022, we had net cash generated from financing activities of RMB20.5 million, which was mainly attributable to our net proceeds from bank borrowing of RMB20.9 million, being partially offset by the interests paid on bank borrowings of RMB376,000.

During FY2021, we had net cash generated from financing activities of RMB10.0 million, which was mainly attributable to our net proceeds from bank borrowings of RMB10.7 million, being partially offset by the interests paid on bank borrowings of RMB0.7 million.

For FY2020, we had net cash used in financing activities of RMB4.7 million, which primarily consists of repayment of borrowings of RMB5.6 million and interest paid on borrowings of RMB0.3 million.

For FY2019, we had net cash generated from financing activities of RMB0.7 million, which primarily consists of proceeds from non-controlling interests' capital injection of RMB1.5 million, partially offset by repayment of principal portion of lease liabilities and its interest in aggregate of RMB0.8 million.

Financial Assets at FVTPL

During FY2019 and FY2020, to improve returns on our excess liquidity, we have invested in certain wealth management products, which was being classified as financial assets at FVTPL. These investments mainly include non-principal guaranteed commercial bank wealth management products issued by major and reputable financial institutions in the PRC, with interest rates ranging from 3.1% to 4.9% and 2.8% to 6.6% per annum for FY2019 and FY2020, respectively. Our wealth management products were not backed by any collateral or guarantee.

During FY2019 and FY2020, we have acquired financial assets at FVTPL in the aggregate amount of RMB75.1 million and RMB99.5 million, respectively; majority of which were redeemable on demand or with maturity less than 3 months; as our wealth management products were matured/being disposed by us during each of the financial year during the Track Record Period, we did not record any financial assets at FVTPL as at reporting date. During FY2019 and FY2020, we recorded gain on financial assets at FVTPL of RMB0.6 million and RMB0.7 million, respectively.

As part of our treasury management, we have purchased wealth management products as an supplemental mean to improve the utilisation of our cash on hand on a short-term basis. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include:

- investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;

- the types of investments shall be generally very low risk or low risk wealth management products issued by qualified commercial banks;

- investments shall generally be short-term and of a non-speculative nature in order to maintain our liquidity and financial flexibility;

- we only purchase wealth management products issued by creditworthy commercial banks and/or other qualified financial institutions, and in any given period, we make investments in products provided by multiple issuers to mitigate concentration risks;

- our finance department, subject to the review and approval of our management, is responsible for the overall execution of our investments, including risk assessment. In particular, for wealth management products based on fixed-income assets, we carry out risk assessment based on the amounts of principal, maturity dates, the qualification of product managers, the reputation of sales agency, the underlying assets, the expected rates of return and the review of terms and conditions of the products; we mainly consider the underlying assets and the historical performance of the product managers when assessing the risks of wealth management products based on equity assets; and the risk assessment of products based on mixed assets involves all aforementioned factors;

- our internal accounting manager monitors the performance of the invested wealth management products and ensures that the relevant contract is not breached. Our internal accounting manager from time to time checks and reviews information related to the invested wealth management products, such as operational and financial conditions of the issuers, any punishments or penalties imposed by regulatory authorities, changes in the market value, rate of return and credit ratings (if available) of the issuers and/or the products. Any significant or adverse fluctuation in the invested wealth management products shall be reported to our finance department in a timely manner;

- our finance department consolidates the cash demands of all subsidiaries and each department of our Group on a weekly and monthly basis, determines whether our cash at hand can satisfy our cash demands within the next 30 days, and prepares cash budgets, which includes the investment of idle funds. On occurrence of unplanned large-sum cash outflows, or due to any significant adverse fluctuation in the invested products, our internal accounting manager may propose to dispose or redeem some of our wealth management products. Such proposal is subject to the review and approval by senior management; and

- upon the maturity dates of each investment, our internal accounting manager shall be responsible for the redemption and disposal of the investments according to the relevant contracts.

The purchases or subscriptions of wealth management products by the Group will, upon [**REDACTED**], constitute notifiable transactions of the Company and will be subject to the applicable requirements under Chapter 14 of the Listing Rules.

NET CURRENT ASSETS

The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April	As at 31 July
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	270	2,917	3,363	6,150	5,787
Contract assets	–	2,174	3,021	1,791	1,100
Trade receivables	14,077	38,954	82,189	132,981	92,106
Prepayments, deposits and other receivables	11,245	38,649	50,009	56,691	62,818
Amount due from related parties	90	84	96	203	–
Pledged bank deposit	–	1,392	–	–	–
Cash and cash equivalents	42,346	32,062	61,475	25,408	52,007
Total current assets	68,028	116,232	200,153	223,224	213,818
Current liabilities					
Contract liabilities	–	2,928	3,377	5,419	5,390
Trade payables	5,412	9,545	40,525	32,648	28,975
Other payables and accruals	8,264	17,436	27,895	35,766	17,717
Amounts due to related parties	4,851	4,813	27,677	5,486	–
Borrowings	–	10,370	21,100	42,000	42,000
Lease liabilities	398	7	–	–	–
Income tax payable	1,554	5,990	8,123	9,013	9,632
Total current liabilities	20,479	51,089	128,697	130,332	103,714
Net current assets	47,549	65,143	71,456	92,892	110,104

Our Group's net current assets increased by RMB17.6 million from RMB47.5 million as at 31 December 2019 to RMB65.1 million as at 31 December 2020, primarily due to the growth in our business scale with the combined effect of (i) the increase in trade receivables of RMB24.9 million, mainly because of the growth in our virtual goods sourcing and delivery services and solution on lottery related systems and equipment segments in FY2020; and (ii) increase in prepayments, deposits and other receivables of RMB27.4 million primarily attributable to our advance payment to (a) a supplier of top-up for telecommunication services in the amounts of RMB17.2 million; and (b) a supplier of online vouchers and interests of RMB5.0 million. Such increase was partially offset by the increase in other payables and accruals of RMB9.2 million and increase in borrowings of RMB10.4 million attributable to the operations of Xi'an Tiantai which was acquired by us in July 2020.

Our net current assets increased by RMB6.3 million from RMB65.1 million as at 31 December 2020 to RMB71.5 million as at 31 December 2021, primarily due to (i) the increase in our trade receivables by RMB43.2 million; (ii) the increase in our cash and cash equivalents by RMB29.4 million; being partially offset by (iii) the increase in our trade payables by RMB31.0 million; (iv) the increase in our other payables and accruals by RMB10.5 million; and (v) the increase in our bank borrowings by RMB10.7 million. The changes in our current assets and current liabilities were mainly attributable to our business growth during FY2021.

Our net current assets increased by RMB21.4 million from RMB71.5 million as at 31 December 2021 to RMB92.9 million as at 30 April 2022, primarily due to (i) the increase in our trade receivables by RMB50.8 million; (ii) the decrease in our amounts due to related parties by RMB22.2 million, being partially offset by (iii) the decrease in cash and cash equivalents by RMB36.1 million; and (iv) the increase in bank borrowings by RMB20.9 million.

Our net current assets increased by RMB17.2 million from RMB92.9 million as at 30 April 2022 to RMB110.1 million as at 31 July 2022, primarily due to (i) the increase in our cash and cash equivalents by RMB26.6 million; (ii) the decrease in our other payables and accruals by RMB17.7 million; and (iii) decrease in amount due to related parties by RMB5.4 million, which was partially offset by the decrease in our trade receivables by RMB40.9.

Working capital sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations and bank borrowings.

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents, available banking facilities and the estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Save as disclosed in the paragraphs headed "— Recent Developments and No Material Adverse Change — Recent Resurgence of the COVID-19 Pandemic" in this section, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of [**REDACTED**] " in this document.

DISCUSSION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment comprise motor vehicles, furniture and fixtures, leasehold improvements and computer and office equipment. As at 31 December 2019, 2020 and 2021 and 30 April 2022, the carrying amounts of our property, plant and equipment amounted to RMB2.4 million, RMB2.6 million, RMB1.2 million and RMB0.9 million, respectively.

The following table sets forth the carrying amounts of our property, plant and equipment as at the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Motor vehicles	218	399	339	319
Furniture and fixtures	50	94	46	30
Leasehold improvements	186	293	143	100
Computer and office equipment	1,987	1,862	660	474
Total	2,441	2,648	1,188	923

Our property, plant and equipment increased by RMB0.2 million from RMB2.4 million as at 31 December 2019 to RMB2.6 million as at 31 December 2020, respectively, primarily attributable to (i) additions of computer and office equipment of RMB0.6 million in 2020; and (ii) acquisition through business combination of RMB1.0 million in FY2020 resulted from the acquisition of Xi'an Tiantai, being partially offset by depreciation charge of RMB1.4 million in FY2020.

Our property, plant and equipment decreased by RMB1.5 million from RMB2.6 million as at 31 December 2020 to RMB1.2 million as at 31 December 2021, primarily attributable to the decrease in our computer and office equipment resulted from the termination of the Contractual Arrangements with Zhejiang Runye. Our property, plant and equipment further decrease by RMB265,000 from RMB1.2 million as at 31 December 2021 to RMB0.9 million as at 30 April 2022 which was attributable to the relevant depreciation charge.

Intangible Assets

Our intangible assets mainly include computer software and copyright, which are stated at cost less accumulated amortisation and accumulated impairment losses. For details of the relevant accounting policies, please refer to Note 4.9 of the Accountants' Report in Appendix I to this document.

Our intangible assets increased further to RMB21.1 million as at 31 December 2020, mainly attributable to the acquisitions of copyright through our acquisition of Xi'an Tiantai in July 2020 being partially offset by amortisation charge of RMB1.4 million.

Our intangible assets decreased to RMB19.4 million as at 31 December 2021, primarily attributable to amortisation charge of copyright of RMB3.6 million, being partially offset by addition of copyright of RMB2.1 million.

Our intangible assets further decreased to RMB18.2 million as at 30 April 2022 primarily attributable to amortisation charge on our copyrights.

For details of copyright and patent that owned by our Group, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights" and "— 3. Copyright" in Appendix IV to this document.

Goodwill

As at 31 December 2019, 2020 and 2021 and 30 April 2022, we have recorded goodwill in the amount of RMB4.2 million, RMB14.3 million, RMB14.3 million and RMB14.3 million, respectively. The following table sets forth the movement of our goodwill during the Track Record Period:

	For the year ended 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
As of the beginning of the year	6,297	4,210	14,342	14,342
Acquisition through business combination	264	10,132	–	–
Impairment loss	(2,351)	–	–	–
As of the end of the year	4,210	14,342	14,342	14,342

We recorded goodwill of RMB6.3 million as of the beginning of FY2019, which was arising from our acquisition of Jiangxi Yunjia and Yuncaitong in 2018. In 2019, we have acquired 65% of the equity interest of Wuhan Cairun at nil consideration. Accordingly, we recorded the identifiable net assets in that was attributable to us in the amount of RMB0.3 million as goodwill. In 2020, we acquired the entire equity interests in Xi'an Tiantai at a consideration of RMB15.0 million and recorded the excess of the consideration paid by us over the fair value of the identifiable net assets in Xi'an Tiantai attributable to us in the amount of RMB10.1 million as goodwill.

During the Track Record Period, we have engaged an independent valuer to assess the recoverable amounts of our goodwill as at each financial year end. Our Directors determined that goodwill arising from the acquisitions of Jiangxi Yunjia and Wuhan Cairun to be fully impaired as of 31 December 2019 since our management did not have any future business plans in connection with Jiangxi Yunjia and Wuhan Cairun. Impairment loss for goodwill from Jiangxi Yunjia and Wuhan Cairun in aggregate of RMB2.4 million were provided during FY2019. For further details of the impairment testing regarding our goodwill during the Track Record Period, please refer to Note 17 of the Accountants' Report in Appendix I to this document.

Inventories

As at 31 December 2019, 2020, 2021 and 30 April 2022, our inventories amounted to RMB0.3 million, RMB2.9 million, RMB3.4 million and RMB6.2 million, respectively. During the Track Record Period, our inventories were mainly related to our solutions on lottery related software systems and equipment which commenced in FY2019. Our marketing and promotion services does not involve the holding of inventories by our Group. As our sales from solutions on lottery related software systems and equipment were growing during the Track Record Period, we recorded an increasing trend in our inventories.

Trade Receivables

The following table sets forth details of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (gross)	14,652	40,950	88,033	139,803
Less: allowance for loss credit	(575)	(1,996)	(5,844)	(6,822)
Total	14,077	38,954	82,189	132,981

We generally grant credit periods of 5 to 60 days to our customers. Our trade receivables increased by RMB24.9 million to RMB39.0 million as at 31 December 2020, which was mainly due to increase in sales from our (i) virtual goods sourcing and delivery services; and (ii) solution on lottery related systems and equipment after our acquisition of Xi'an Tiantai in July 2020. Our trade receivables further increased by RMB43.2 million to RMB82.2 million as at 31 December 2021, primarily attributable to amounts due from our customers of our advertisement placement services, which commenced in FY2021, in the amount of RMB43.3 million. Our trade receivables balance further increased by RMB50.8 million to RMB133.0 million as at 30 April 2022. Such increase was mainly due to (i) the growth in our virtual goods sourcing and delivery services and advertisement placement services during 4M2022; and (ii) the delay in settlement of trade receivables by some of our customers, in particular, certain customers of our advertisement placement services and advertisement distribution services, which based in and/or operated in provinces severely affected by the Resurgence of the COVID-19 pandemic in the PRC in early 2022. Please also see the paragraphs headed "— Recent developments and no material adverse change — Recent Resurgence of the COVID-19 pandemic" in this section.

The following table sets out an ageing analysis of our trade receivables presented based on invoice dates and net of impairment (if any), as at the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	10,670	32,832	74,332	111,879
1 to 3 months	3,185	2,964	7,679	18,374
3 to 6 months	–	1,281	4	2,580
6 months to 1 year	10	–	–	3
Over 1 year	212	1,877	174	145
Total (net)	14,077	38,954	82,189	132,981

We make provisions for impairment of trade receivables based on the chance of recovering the relevant amounts. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we made provisions for the impairment of trade receivables of RMB0.6 million, RMB2.0 million, RMB5.8 million and RMB6.8 million, respectively.

The following table sets out an ageing analysis of our gross trade receivables presented based on due date as at the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet past due	9,093	31,377	77,821	110,167
Past due				
Less than 1 month	1,988	3,415	9,454	14,429
1 to 3 months	2,998	1,285	399	10,317
3 to 6 months	–	1,599	–	4,603
6 months to 1 year	16	2,626	–	4
Over 1 year	557	648	359	283
Sub-total	5,559	9,573	10,212	29,636
Total gross trade receivables balance	14,652	40,950	88,033	139,803
Subsequent settlement up to 21 September 2022	14,652	40,844	83,118	119,286
Percentage of subsequent settlement	100%	99.7%	94.4%	85.3%
Amounts that were not subsequently settled up to 21 September 2022	–	106	4,915	20,517

During the Track Record Period, instead of conducting an individual review on each of the debtors to determine the impairment of our trade receivables, we assessed the expected credit losses of our trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns after considering internal credit ratings of trade debtors and past due status of respective receivables. For further details of the ageing and ECLs for our trade receivables, please refer to note 37(a) to the accountants' report in Appendix I to this document.

The table below sets forth a summary of average turnover days our trade receivables (assuming all of the revenue are recognised on a gross basis) for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
Average trade receivables turnover days(Note)	15	15	15	26

Note: Average trade receivables turnover days is derived by dividing the average of the opening and closing balances of trade receivables for the relevant year/period by revenue (assuming all of the revenue are recognised on a gross basis) and multiplying 365 days (as to FY2019, FY2020 and FY2021) or 120 days (as to 4M2022).

Our average turnover days of trade receivables remained stable at 15 days for FY2019, FY2020 and FY2021. Our average turnover days of trade receivables increased to 26 days for 4M2022 mainly due to the delay in settlement of the trade receivables by some of our customers which were affected by the Resurgence of the COVID-19 pandemic in the PRC in early 2022. For further details, please see the paragraph headed "— Recent developments and no material adverse change — Recent Resurgence of the COVID-19 pandemic" in this section.

Up to 21 September 2022, RMB119.3 million or 85.3% of our trade receivables outstanding (before provision for ECLs) as at 30 April 2022 were settled by our customers.

Contract Assets

Contract assets of our Group represent our right to consideration for work completed and not billed because such rights are conditional on our future performance as at each financial year end during the Track Record Period. The contract assets would be transferred to trade receivables when the rights become unconditional. The amounts of contract assets vary from period to period depending on the contract sum and payment arrangement of the projects conducted. As at 31 December 2019, 2020 and 2021 and 30 April 2022, our contract assets (net of provisions for ECLs) amounted to nil, RMB2.2 million, RMB3.0 million and RMB1.8 million, respectively, all of which are expected to be recovered within one year. As at 31 December 2020 and 2021 and 30 April 2022, our contract assets were entirely arising from our solutions on lottery related software system and equipment in connection with the operation of Xi'an Tiantai as some of our customers of the relevant segments are entitled to withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts during the defects liability period after completion of the relevant works. For details of credit risk exposure and ECLs for trade receivables and contract assets using a provision matrix, please refer to Note 37 of the Accountants' Report in Appendix I to this document.

The table below sets forth a summary of the average turnover days of our contract assets for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
Average turnover days of contract assets*(Note 1)*	N/A*(Note 2)*	20	23	58

Notes:

1. Average turnover days of our contract assets is derived by dividing the average of the opening and closing balances of our contract assets (before provisions for ECL) for the relevant year/period by revenue of Xi'an Tiantai and multiplying 153 days (as to FY2020) or 365 days (as to FY2020 and FY2021) or 120 days (as to 4M2022).

2. As our contract assets were arising from our solutions on lottery related software system and equipment business after our acquisition of Xi'an Tiantai, we did not record any contract assets as at 31 December 2019.

Our average turnover days of contract assets remained relatively stable at 20 days and 23 days for FY2020 and FY2021, respectively. Our average turnover days of contract assets increased to 58 days for 4M2022 mainly due to the fact that Xi'an Tiantai recorded a relatively lower level of revenue for 4M2022 (on an annualised basis) as compared to that of FY2021. The fluctuation in our average turnover days of contract assets was in line with the seasonality of the business of Xi'an Tiantai. As the provincial WLIACs, being the major customers of Xi'an Tiantai, generally start their tendering process in the second half of a year, revenue from our solutions on lottery related software system and equipment business during the period from August to December of each year is generally higher than that of other months. For FY2020 and FY2021, our revenue from provision of solutions on lottery-related software systems and equipment recorded during August to December represented approximately 55.2 % and 75.3 % of our annual total revenue from this business segment, respectively.

As at 30 April 2022, our contract assets (before provision of ECLs) amounted to RMB2.1 million, among which, RMB1.5 million or 70.7% had been transferred to our trade receivables up to 21 September 2022.

The table below sets forth a summary of the average turnover days of our trade receivables and contract assets in aggregate for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
Average turnover days of trade receivables and contract assets(Note 1)	15	15	16	27

Note: Average turnover days of our trade receivables and contract assets is derived by dividing the average of the opening and closing balances of our trade receivables and contract assets for the relevant year/period by our total revenue (assuming all revenue are recognised on a gross basis) and multiplying 365 days (as to FY2019, FY2020 and FY2021) or 120 days (as to 4M2022).

Our average turnover days of trade receivables and contract assets remained stable at 15 days, 15 days and 16 days for FY2019, FY2020 and FY2021, respectively. For 4M2022, the average turnover days increased to 27 days mainly due to the increase in our trade receivables balance as at 30 April 2022 due to delay in settlement of the trade receivables by some of our customers which were affected by the Resurgence of the COVID-19 pandemic in the PRC in early 2022. For further details, please see the paragraph headed "— Recent developments and no material adverse change — Recent Resurgence of the COVID-19 pandemic" in this section.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables during the Track Record Period mainly comprise (i) advance to the suppliers of our marketing and promotion services; (ii) prepayment of expenses such as [**REDACTED**] and other services fees; and (iii) deposits for leases and security deposits paid to customers. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we recorded prepayments, deposits and other receivables of RMB11.2 million, RMB38.6 million, RMB50.0 million and RMB56.7 million, respectively.

The following table sets forth the breakdown of our prepayments, deposits and other receivable (including current and non-current portion) as of the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance to suppliers				
– Promotion and advertising services	1,962	–	16,239	27,864
– Virtual goods sourcing and delivery services	5,291	28,930	18,654	15,473
Sub-total	7,253	28,930	34,893	43,337
Prepayments	1,170	3,256	7,147	7,575
Deposits and other receivables	2,898	6,538	8,004	5,866
Less: allowance for credit loss	(59)	(75)	(35)	(87)
Total	11,262	38,649	50,009	56,691

Our prepayments, deposits and other deposits recorded a significant increase of RMB27.4 million from RMB11.3 million as at 31 December 2019 to RMB38.6 million as at 31 December 2020, which was mainly due to (i) the increase in advance payment to a supplier of top-up for telecommunication services in the amount of RMB17.2 million and a supplier of online vouchers and interests in the amount of RMB5.0 million; and (ii) an increase in other receivables and deposits of RMB3.6 million, mainly attributable to the other receivables and deposits of Xi'an Tiantai which was acquired by us in July 2020.

Our prepayments, deposits and other receivable further increased by RMB11.4 million to RMB50.0 million as at 31 December 2021, which was mainly attributable to (i) increase in our advances to suppliers by RMB6.0 million and (ii) increase in prepayments by RMB3.9 million. Our prepayments, deposits and other receivable increased by RMB6.7 million to RMB56.7 million as at 30 April 2022, which was mainly attributable to the increase in our advances to suppliers by RMB8.4 million, being partially offset by the decrease in deposits and other receivables RMB2.1 million.

Up to 21 September 2022, RMB27.3 million or 48.2% of the balances of our prepayments, deposits and other receivables as at 30 April 2022 (before provision for ECL) had been utilised by or refunded to us.

Advance to suppliers

During the Track Record Period, we were required to make prepayments to certain suppliers for our sourcing and delivery of virtual goods services and advertisement placement services. As at 31 December 2019, 2020 and 2021 and 30 April 2022, balances of our advances to suppliers amounted to RMB7.3 million, RMB28.9 million, RMB34.9 million and RMB43.3 million, respectively.

The significant increase in our advances to suppliers from RMB7.3 million as at 31 December 2019 to RMB28.9 million as at 31 December 2020 was primarily attributable to (i) the expansion of our virtual goods sourcing and delivery services in FY2020; and (ii) advance payment to a supplier of top-up for telecommunication services in the amount of RMB17.2 million as we expected that there would be high demand from Customer B in early 2021. Our advances to suppliers further increased by RMB6.0 million to RMB34.9 million as at 31 December 2021, which was attributable to our advances to marketing channel providers and/or their channel agents of our advertisement placement services (as part of our promotion and advertising services which commenced in 2021) of RMB16.2 million, being partially offset by the decrease in our advances to suppliers of virtual goods by RMB10.3 million. Our advances to suppliers further increase by RMB8.4 million to RMB43.3 million as at 30 April 2022, which was attributable to the increase in our advances to marketing channel providers and/or their channel agents of our advertisement placement services.

The following table sets out an ageing analysis of our advances to suppliers as at the dates indicated:

	As at 31 December			**As at 30 April**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	5,291	28,778	32,197	24,541
1 to 3 months	–	–	1,896	8,392
3 to 6 months	1,962	120	69	9,693
Over 6 months	–	32	731	711
Total	7,253	28,930	34,893	43,337

As at 21 September 2022, RMB25.8 million or 59.6% of our advance to suppliers as at 30 April 2022 had been utilised by or refunded to us.

According to the iResearch Report, it is common for third-party virtual goods platform operator in PRC to make prepayments to suppliers of virtual goods. We normally make prepayments to our suppliers of virtual goods which would be used in setting-off against the procurement costs of virtual goods when our customers placed an order with us. In addition, it is also the common market practice for advertisement placement services providers to make prepayment to marketing channel providers (who are media publishers) and/or their channel agents for traffic acquisition.

Trade Payables

Our trade payables are derived primarily from payables to our suppliers. Our trade payables increased by RMB4.1 million or 76.4% from RMB5.4 million as at 31 December 2019 to RMB9.5 million as at 31 December 2020, which was mainly attributable to (i) purchase from suppliers for our solutions on lottery related software systems and equipment following the acquisition of Xi'an Tiantai in July 2020; and (ii) traffic acquisition cost payable to our suppliers in connection with our advertisement distribution services which commenced in FY2020. Our trade payables further increased by RMB31.0 million to RMB40.5 million as at 31 December 2021, primarily attributable to (i) the amounts payable to one of our suppliers for our advertisement distribution services of RMB19.5 million due to the growth of such business segment in FY2021 as compared to FY2020; and (ii) the trade payables to suppliers of our advertisement placement services which commenced in 2021. Our trade payables decreased by RMB7.9 million to RMB32.6 million as at 30 April 2022, primarily due to the decrease of trade payables to suppliers of our advertisement placement services.

The credit period on purchase from suppliers is generally ranging from 10 to 60 days as at each financial year end during the Track Record Period. The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade payables, based on invoice date:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month	3,954	7,427	38,603	32,057
1 to 3 months	293	–	287	–
More than 3 months but less than 6 months	1,140	710	1,481	495
More than 6 months but less than one year	25	96	58	–
More than one year	–	1,312	96	96
	5,412	9,545	40,525	32,648

The following table sets out the average turnover days of our trade payables (assuming all of the cost of sale are recognised based on the gross purchase cost) for the Track Record Period:

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
Average turnover days of trade payables*(Note)*	5	5	7	8

Note: Average turnover days of trade payables is derived by dividing the average of the opening and closing balances of trade payables for the relevant year/period by cost of sales (assuming all of the cost of sale are recognised based on the gross purchase cost) and multiplying 365 days (as to FY2019, FY2020 and FY2021) or 120 days (as to 4M2022).

Our average trade payables turnover days remained relatively stable at five days, five days, seven days and eight days for FY2019, FY2020, FY2021 and 4M2022, respectively.

Up to 21 September 2022, RMB31.3 million or 95.9% of our trade payables outstanding as at 30 April 2022 had been settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables. Up to the Latest Practicable Date, there has not been any dispute between the Group and its creditors for the outstanding balances of the trade payables as at 30 April 2022.

Contract Liabilities

Contract liabilities primarily represent the amounts we received in advance from customers prior to our performance of the relevant contracts as at the end of each of financial year and during the Track Record Period. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we recorded contract liabilities (including current and non-current portion) of nil, RMB3.0 million, RMB3.4 million and RMB5.7 million, respectively. Our contract liabilities as at 31 December 2020 and 2021 and 30 April 2022 were attributable to advanced consideration received from customers of our solutions on lottery related software systems and equipment arising from the business of Xi'an Tiantai as some of our customers of the solutions on lottery related software systems and equipment is required to pay to us part of the contract sum at the time of signing the relevant contract. Such contract liabilities would be recognised as revenue when our Group performs under the contract. For movement in the contract liabilities during the Track Record Period, please see Note 26(b) of the Accountants' Report included in Appendix I to this document.

Up to 21 September 2022, RMB1.0 million or 18.2% of our contract liabilities balance as at 30 April 2022 had been subsequently recognised as our revenue.

Other Payables and Accruals

Our other payables and accruals mainly represent other payables, accrued expenses for staff costs, other operating expenses and others, other tax payable and deposits received from our customers of virtual goods sourcing and delivery services. The following table sets forth our other payables and accruals as of the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	3,898	6,756	7,022	4,501
Deposits received from customers	3,091	6,015	16,750	28,867
Other tax payable	898	3,198	3,120	1,494
Other payables	377	1,467	1,003	904
Total	8,264	17,436	27,895	35,766

Our other payables and accruals increased by RMB9.2 million from RMB8.3 million as at 31 December 2019 to RMB17.4 million as at 31 December 2020, which was mainly attributable to (i) increase in deposits in relation to our virtual goods sourcing and delivery services of RMB5.9 million from Customer B for virtual goods to be delivered during new years of 2021; (ii) increase in other tax payables attributable to Xi'an Tiantai of RMB1.3 million; (iii) increase in accrued expenses in connection with the accrual of [**REDACTED**] of RMB[**REDACTED**].

Our other payables and accruals further increased by RMB10.5 million to RMB27.9 million as at 31 December 2021, which was mainly attributable to the deposits received from our customers of our advertisement placement services and virtual goods sourcing and delivery services. We recorded a further increase of RMB7.9 million in our other payables and accruals from RMB27.9 million as at 31 December 2021 to RMB35.8 million as at 30 April 2022, which was mainly attributable to the increase in deposits received from our customers of advertisement placement services.

Balance with Related Parties

As at 31 December 2019, 2020 and 2021 and 30 April 2022, our amounts due from related parties amounted to RMB90,000, RMB84,000, RMB96,000 and RMB203,000; whilst our amounts due to related parties as at respective dates amounted to RMB4.9 million, RMB4.8 million, RMB27.7 million and RMB5.5 million, respectively. The amounts due to related parties as at 31 December 2021 was mainly attributable to the amounts owed by our Group to Zhejiang Runye of RMB22.8 million after the termination of our Contractual Arrangements with Zhejiang Runye, which was an intra-group balance prior to the termination. For further details of the termination of the contractual arrangements, 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. Such balances were non-trade related, unsecured, interest-free and repayable on demand and will be settled before [**REDACTED**]. For details of the balances and related party transactions, please see Notes 24 and 33 of the Accountants' Reports in Appendix I to this document. As at the Latest Practicable Date, all the amounts due from or due to related parties had been settled.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current					
Amounts due to related parties	4,851	4,813	27,677	5,486	–
Bank borrowings	–	10,370	21,100	42,000	42,000
Lease liabilities	398	7	–	–	–
	5,249	15,190	48,777	47,486	42,000
Non-current					
Lease liabilities	70	–	–	–	–
Total	5,319	15,190	48,777	47,486	42,000

Bank Borrowings

The following table sets forth the repayment schedule of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within one year or on demand	–	10,370	21,100	42,000	42,000

As at 31 December 2019, our Group did not have any bank borrowings. As at 31 December 2020 and 2021, 30 April 2022 and 31 July 2022, our Group had bank borrowings of RMB10.4 million, RMB21.1 million, RMB42.0 million and RMB42.0 million, respectively, which are denominated in RMB.

As at 31 December 2020, our bank borrowings carried at fixed interest rates ranged from 4.2% to 5.2% per annum. As at 31 December 2021, our bank borrowings carried at fixed interest rates ranged from 4.0% to 6.6% per annum.

As at 31 December 2020, our bank borrowings of RMB8.9 million were guaranteed by (i) personal guarantees of ex-shareholders of Xi'an Tiantai as the relevant bank loans were obtained by Xi'an Tiantai prior to its acquisition by our Group; and (ii) the guarantees from two independent third party financial guarantee companies in consideration of service fees and counter-guarantee from the ex-shareholders and management of Xi'an Tiantai. The outstanding amounts of such bank loans were subsequently settled.

As at 31 December 2021 and 30 April 2022, our bank borrowings with carrying amount of approximately RMB13.0 million and RMB21.0 million, respectively, were guaranteed by financial guarantee provided by independent third party financial institutions in consideration of service fees payable by us.

As at 31 July 2022, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB42.0 million, and we did not have any unutilised banking facilities.

During the Track Record Period, the bank borrowing agreements that we entered into with banks were subject to general and customary covenants commonly found in lending arrangements with financial institutions, including but not limited to, certain financial covenants on our level of indebtedness and the requirement of giving notices to the banks for any material corporate actions or legal proceedings or disputes relating to our Group. If our Group were to breach the covenants, the loans would become payable on demand. Our Group regularly monitors its compliance with these covenants. The agreements under our bank borrowings do not contain any material covenants that may have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we have not defaulted in the repayment of the principal bank borrowings and relevant interest expenses during the Track Record Period. As at 31 December 2020 and 2021, none of the covenants relating to the bank and other loans had been breached.

Our Directors confirm that there has been no material change in our indebtedness position since 31 July 2022, being the latest practicable date for the indebtedness statement.

Lease Liabilities

Our Group has adopted and applied HKFRS 16, by using the full retrospective approach, consistently throughout the Track Record Period. Leases have been recognised in the form of assets (for the right of use) and a financial liability (for the payment obligation) in our consolidated statement of financial position. As at 31 December 2019, 2020 and 2021, 30 April 2022 and 31 July 2022, our Group had lease liabilities of RMB0.5 million, RMB7,000, nil, nil and nil, respectively.

Contingent Liabilities

As at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as at the Latest Practicable Date, we did not have any significant contingent liabilities.

Save as disclosed under the section headed " — Indebtedness", our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities as of 31 July 2022.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our Group's capital expenditures primarily related to additions to intangible assets and property, plant and equipment. We had capital expenditures of RMB4.9 million, RMB9.7 million, RMB2.3 million and RMB151,000 as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively.

Capital commitments

There are no significant capital commitments outstanding not provided for as at 31 December 2019, 2020 and 2021 and 30 April 2022.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties primarily include (i) provision of marketing and promotion services and solutions on lottery-related software systems and equipment by our Group to our related parties; and (ii) compensation paid to our key management personnel. For details, please refer to Note 33 of the Accountants' Report in Appendix I to this document. Our Directors confirm that these transactions were conducted on arm's length basis and entered into in the ordinary course of business of our Group and would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no other material off-balance sheet commitments and arrangements.

KEY FINANCIAL RATIOS

	Year ended 31 December			Four months ended 30 April
	2019	2020	2021	2022
	%	%	%	%
Profitability ratios				
Gross profit margin(1)	50.0	67.1	50.2	51.9
Net profit margin(2)	29.0	40.2	22.8	27.9
Adjusted net profit margin under HKFRS measures(3)	29.0	45.6	29.0	29.9
Return on equity(4)	45.0	44.3	47.2	N/A
Return on total assets(5)	33.1	29.5	21.3	N/A

	As at 31 December			As at 30 April
	2019	2020	2021	2022
Liquidity ratios				
Current ratio(6)	3.3 times	2.3 times	1.6 times	1.7 times
Quick ratio(7)	3.3 times	2.2 times	1.5 times	1.7 times
Capital adequacy ratios				
Gearing ratio(8)	9.2%	14.8%	46.1%	37.8%
Debt-to-equity ratio(9)	N/A	N/A	N/A	17.6%

Notes:

(1) The calculation of gross profit margin is based on gross profit for the year/period divided by revenue and multiplied by 100%. Please refer to the paragraphs headed "Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" in this section for more details on our gross profit margins.

(2) The calculation of net profit margin is based on profit for the year/period divided by revenue and multiplied by 100%.

(3) Calculated based on the adjusted net profit under non-HKFRS measures and calculated by excluding the effect of [**REDACTED**].

(4) The calculation of return on equity is based on profit for the year divided by ending balance of total equity and multiplied by 100%. Return on equity is not applicable to 4M2022 as it is not comparable to the ratio calculated based on full year profit.

(5) The calculation of return on total assets is based on profit for the year divided by ending balance of total assets and multiplied by 100%. Return on total assets is not applicable to 4M2022 as it is not comparable to the ratio calculated based on full year profit.

(6) Current ratio is calculated as current assets divided by current liabilities as at the relevant financial year/period end.

(7) Quick ratio is calculated as current assets less inventories divided by current liabilities as at the relevant financial year/period end.

(8) Gearing ratio is calculated as total debt divided by total equity and multiplied by 100% as at the relevant financial year/period end. Total debts refer to all interest-bearing bank loans, amounts due to related parties and lease liabilities of our Group as at the end of the respective year/period.

(9) Debt to equity ratio is calculated as net debt (representing total debt minus cash and cash equivalent as at the relevant year end) divided by the total equity as at the end of the respective year and multiplied by 100%. As our cash and cash equivalent is higher than our total debts as at 31 December 2019, 2020 and 2021, the debt to equity ratio is not applicable to such periods.

Return on equity

Our return on equity decreased from 45.0% for FY2019 to 44.3% for FY2020, primarily attributable to the increase in total equity as at 31 December 2020 as compared to that of 2019, being partially offset by the significant growth in profit for FY2020 as compared to that of FY2019. Our return on equity increased to 47.2% for FY2021 primarily due to the increase in our profit for FY2021 as compared to that of FY2020.

Return on total assets

Our return on total assets decreased from 33.1% for FY2019 to 29.5% FY2020, primarily attributable to the increase in average balance of total assets as at 31 December 2020 as compared to that of 2019, being partially offset by the significant growth in profit for FY2020 as compared to that of FY2019. Our return on total assets further decreased to 21.3% for FY2021 primarily due to the increase of our total assets from RMB154.3 million as of 31 December 2020 to RMB235.1 million as of 31 December 2021.

Current ratio

Our current ratio decreased from 3.3 times as at 31 December 2019 to 2.3 times as at 31 December 2020, mainly due to (i) increase in trade receivables of RMB24.9 million, mainly because of increase in sales from (i) virtual goods and services delivery services and (ii) solution on lottery related systems and equipment after our strategic acquisition of Xi'an Tiantai; and (ii) increase in our advance payment to suppliers of our virtual goods sourcing and delivery services of RMB23.6 million, being partially offset by (iii) the increase in bank borrowings of RMB10.4 million and increase in other payables and accruals, mainly in relation to deposits from our customers of virtual goods of RMB2.9 million.

Our current ratio decreased to 1.6 times as at 31 December 2021, due to the increase in our current liabilities by 151.9%, mainly attributable to the increase in trade payables and amounts due to related parties as at 31 December 2021 as compared to that in FY2020, being partially offset by the increase in current assets by 72.2%. Our current ratio as at 30 April 2022 increase to 1.7 times mainly due to the increase in our total assets from RMB200.2 million as at 31 December 2021 to RMB223.2 million as at 30 April 2022 which was primarily resulted from the increase in our trade receivables as at 30 April 2022.

Quick ratio

As the amount of our inventory was immaterial, our quick ratio was 3.3 times, 2.2 times, 1.5 times and 1.7 times as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively, which was generally in line with the fluctuation of our current ratio for the same period.

Gearing ratio

Our gearing ratio increased from 9.2% as at 31 December 2019 to 14.8% as at 31 December 2020, primarily attributable to the increase in total debts as at respective dates because of the increase in our bank borrowings of RMB10.4 million during the year, being partially offset by the increase in total equity of the same year.

Our gearing ratio 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 as of 31 December 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.

Debt-to-equity ratio

As at 31 December 2019, 2020 and 2021, the amount of our cash and cash equivalent is higher than our total debts and therefore the debt-to-equity ratio is no applicable to such financial years. As at 30 April 2022, our debt-to-equity ratio was 17.6% which was mainly attributable to the decrease in our cash and cash equivalent from RMB61.5 million as at 31 December 2021 to RMB25.4 million as at 30 April 2022.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed to are set out in Note 37 of the Accountants' Report, the text of which is set out in Appendix I to this document.

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 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**]

Assuming an [**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 RMB50.4 million among which (i) [**REDACTED**]-related expenses, including [**REDACTED**] and related expenses are estimated to be approximately RMB10.3 million; and (ii) [**REDACTED**] are estimated to be approximately RMB40.1 million, comprising (a) fees and expenses of legal advisors and the reporting accountants of approximately RMB16.9 million; and (b) other fees and expenses of approximately RMB23.2 million. For FY2020, FY2021 and 4M2022, we incurred [**REDACTED**] of approximately RMB6.1 million, RMB13.6 million and RMB1.3 million, respectively. Subsequent to the Track Record Period, it is estimated that in aggregate approximately RMB9.7 million will be charged to our Group's profit and loss for the eight months ending 31 December 2022, and approximately RMB19.7 million is estimated to be directly attributable to the issue of the new Shares and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after [**REDACTED**].

DISTRIBUTABLE RESERVES

Our Company was incorporated on 8 August 2017 and is an investment holding company. As at 30 April 2022, our Company did not have any reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II of this document for the unaudited pro forma adjusted consolidated [**REDACTED**].

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)》) (i.e. 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 merge, 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》) (i.e. the Review Measures) 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, such as 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**], on the basis that, 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, we do not fall within the scope of "internet platform operator" under the Cybersecurity Regulations; (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 data processing activities carried by us would be regarded as affecting; 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, 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.

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. 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 receivables 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 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 generated 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 user 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.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon [**REDACTED**].