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OVERVIEW

We are an established sales and marketing service provider, primarily focusing on providing on-site sales and marketing solutions to market-leading FMCG (i.e. fast-moving consumer goods) brand owners and distributors with activities mainly carried out at offline retail stores, such as supermarkets, department stores and outdoor promotional campaigns. During the Track Record Period, we offer four types of services: (i) customised marketing solution; (ii) tasks and marketers matching service; (iii) marketers assignment service; and (iv) SaaS+ subscription. Further details of our services are set out below:

- **Customised marketing solution.** We formulate and implement customised sales and marketing plans for our customers’ merchandise at offline retail stores with a view to raising brand awareness, promoting merchandise and driving sales. In particular, we set up venues, arrange marketers and event consumables and facilitate overall project management. Typical examples of customised sales and marketing activities include promotional activities, marketing events, roadshows, product launch events, order-placing events and appreciation ceremonies.

Being our most established and long-standing business, customised marketing solution contributed the largest share of our revenue and accounted for 74.0%, 65.5% and 74.4% of our total revenue during each year of the Track Record Period.

- **Tasks and marketers matching service.** We formulate and implement standardised sales and marketing activities for our customers’ merchandise at offline retail stores with a view to enhancing our customers’ sales performance. In particular, our customers’ marketing tasks are published via our digitalised tool, *Touchkit*. We analyse historical task performance of marketers to identify their strengths and characteristics. With such analysis, we provide matching recommendations on tasks and suitable marketers. Also, with the aim to achieving our customers’ performance targets, we regularly evaluate the impact of our services on sales performance. Typical examples of standardised sales and marketing activities include sales and promotion of our customers’ merchandise and in-store merchandise display.

Tasks and marketers matching service accounted for 7.7%, 14.2% and 13.3% of our total revenue during each year of the Track Record Period.

- **Marketers assignment service.** We assign our employee marketers to execute sales and marketing duties as instructed by our customers at designated offline retail stores. We also help manage human resources-related administration matters of these employee marketers. In particular, we enable our customers to reduce operating costs associated with human resources-related administration matters and enhance management efficiency. As such, our customers can focus on and allocate more management resources towards their core business activities, while having access to stable supply of marketers.

Marketers assignment service accounted for 17.8%, 16.7% and 7.8% of our total revenue during each year of the Track Record Period.

- **SaaS+ subscription.** We offer customisation (on an as-needed basis) and subscription for our readily-available digitalised tools. In particular, our digitalised tools support our customers to streamline their sales and marketing process and manage their offline retail network, as well as make data-driven decisions.

During each year of the Track Record Period, SaaS+ subscription accounted for 0.5%, 3.6% and 4.5% of our total revenue.

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Our services are well recognised in the market. In particular, according to the Agency Scope China 2019/20 study, we were the marketing service agency most valued by our customers for the attributes of (i) innovation; (ii) sales promotions/activation; and (iii) good execution. For our other recognitions and awards, see “Awards and recognition” in this section. In addition, leveraging our industry insights, we together with Frost & Sullivan and LeadLeo issued 2022 China Offline Digital Marketing White Paper (《2022年中國線下動銷數字化白皮書》) to analyse challenges and market opportunities of offline sales and marketing under the trend of digital transformation. For details, see “Our sales and marketing” in this section.

Since our inception in 2004, we have strived to provide our customers with sales and marketing services that are comprehensive to their corporate needs. We offer services to customers of different sizes and scales which are scattered over different geographical locations in the PRC in support of their sales and marketing initiatives. Generally, our services require on-site implementation by marketers. Marketers mainly refer to the persons who directly interact with consumers and perform on-site implementation of sales and marketing activities, such as salespersons, frontline staff, etc. In the context of our business operations, we categorise our marketers into employee marketers (who have employment relationships with us) and third-party marketers (who do not have any employment or contractual relationship with us). As of the Latest Practicable Date, our services covered more than 320 cities in 31 provinces/municipalities in China. Meanwhile, benefiting from data collected and processed as a result of our provision of services, we have accumulated data assets of over 4 million of points of sale during the Track Record Period.

Our Market Opportunity and Competition

The retail sales and marketing services market in the PRC have been undergoing digitalisation transformation in recent years, which has brought both challenges and opportunities to our operation. We believe that we can compete with other market players with our technological edge.

Given that our business primarily focuses on on-site sales and marketing activities, the gradual shift of the China’s retail market from offline to online may affect our business operations and financial performance. According to the Frost & Sullivan Report, China’s retail sales and marketing services market is fragmented and highly competitive, with the top five retail sales and marketing services providers taking up approximately 23.4% of the market in 2021 and in terms of revenue, we accounted for approximately 0.02% of the market in the PRC in 2021. China’s retail market is categorised into online and offline channels. In terms of the revenue generated by retail service providers, the online channel is the faster-growing segment and increased rapidly at a CAGR of 26.5% from 2017 to 2021, whereas the offline channel only grew at a CAGR of 4.1% for the same period. Going forward, online retail market is expected to increase at a CAGR of 11.9% from 2021 to 2026, while offline retail market is expected to grow at a slower pace at a CAGR of 3.3% during the same years. Accordingly, considering our current business is primarily offline-focused, such transformation may adversely affect our operations and performance and the growth of our business due to the slower growth momentum of the offline retail channels. For further details, see “Risk Factors — Risks relating to our business — The offline retail market and retail sales and marketing services market in China is subject to various uncertainties. In particular, the emergence of e-commerce and online marketing may adversely affect the demand for our on-site sales and marketing services, as well as the overall offline retail sales and marketing services market in China.”.

Despite the growing online retail sales channel, the offline retail sales channel remains accounting for the larger market share. The offline channel represented more than 67% of the entire retail market over the last five years and according to Frost & Sullivan, with the increasing costs of acquiring and retaining consumers in the online channel and deeper and more tangible consumer experience in the offline channel, the offline retail market is expected to remain larger than the online retail market, and the offline channel is projected to represent more than 58% of the entire retail market in the next five years. In addition, brand

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owners often consider online retail channel as a channel for distributing products supplementary to the offline retail channels. China’s retail support services market in terms of revenue is projected to increase from RMB7.9 trillion in 2021 to RMB11.0 trillion in 2026 at a CAGR of 6.8% and the retail sales and marketing services market in China in terms of revenue is expected to grow from RMB2,167.7 billion in 2021 to RMB3,350.1 billion in 2026, yielding a CAGR of 9.1%. The retail sales and marketing services can be categorised into FMCG, durable goods, agricultural means of production, and others. Among all categories under retail sales and marketing services market, FMCG sector holds the largest market share, which amounted to RMB1,261.5 billion and accounted for approximately 58.2% of total market size of the retail sales and marketing services market in terms of revenue in 2021, and is projected to reach RMB1,678.3 billion in 2026, attaining a stable CAGR of 5.9%. In light of the current and projected market share of the offline retail sales channel, we believe that the effect of the gradual shift of the China’s retail market from offline to online on us would not be significant.

Our Directors consider that the sales and marketing services market in China is relatively competitive, with a large number of participants with different skills and backgrounds. With the increasing demand for more diverse, integrated and data tracking marketing services and higher standards of data collection and more complicated offline retail operation, market participants are under pressure to strengthen their competitive advantages through cross-industry or intra-industry mergers and acquisitions. Also, cyclical volatility in retail industry caused by external macroeconomic conditions can negatively impact brand owners’ operations, leading to a reduction in their marketing budget, which in turn results in increasingly fierce competition for limited customer resources. According to Frost & Sullivan, major market drivers of the retail sales and marketing services market in China include (i) consumption upgrades prompt demand for more customised marketing services; (ii) fiercer competition drives marketing effectiveness enhancement; (iii) rising demand for offline experience. Meanwhile, it is also expected that there will be (i) further expansion of advertising channels and media resources; (ii) growing demand from various product sectors; (iii) a prevalence of marketing technology for integrated service capability; and (iv) performance-based advertising becoming increasingly favoured. On the other hand, we are subject to various threats and challenges. For details, please refer to “Industry Overview”.

In addition, our Directors consider that going forward, sales and marketing is expected to be conducted through a combination of online and offline channels, technology capability has gradually become the next core competency of sales and marketing services providers. Nowadays, established services providers strive to offer holistic marketing solutions to advertisers in one stop. Big data and cloud computing technology enable sales and marketing services providers to gather a vast amount of information to build a comprehensive customer profile for advertisers based on multiple tools and platforms. In addition, new domestic FMCG brands normally were born from internet, which urges sales and marketing services providers to digitalise their offline operations in order to improve marketing efficiency for brand owners and distributors. As more advanced technologies emerge and are applied, sales and marketing services providers are becoming more integrated and technology-driven. We cannot assure you that we will be able to advance our technology capability successfully or we will be able to provide sales and marketing services that are supported by our digitalised tools to the satisfaction of our customers. As a result, we cannot predict with certainty the future growth rate and size of the market of our business. Further, given the regulations in relation to cybersecurity and data privacy in the PRC, we may also face unpredictable restrictions on the adoption and development of different digitalised tools. Therefore, while we believe we possess a technological edge to deploy in the age of digitalization transformation, the extent of our future growth may be affected by the uncertainties involved.

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Despite the digitalisation transformation, on-site shopping remains a part of consumers’ behaviour, thereby driving the need for offline sales and marketing activities. The slower growth momentum of the offline retail market may be subject to uncertainties. The majority of brand owners in the retail industry have been facing different challenges, such as fiercer competition, fragmented distribution networks and information asymmetry, and they tend to increase investment in offline sales and marketing with a view to obtaining consumer profiles, improving efficiency in the retail value chain, and adopting technology empowered tools and systems while implementing sales and marketing activities. From the consumer perspective, consumers not only are prone to using online channels to buy or interact with brand owners or distributors but also enjoy physical shopping experience. To some extent, these phenomena encourage brand owners and distributors to cooperate with offline retail sales and marketing service providers, like us, to advance their offline sales and marketing activities, which enables automation, data transparency, user interaction, and resources monitoring. Furthermore, the further development of SaaS technology also lowers the threshold for brand owners and distributors to embrace digitalisation by reducing upfront hardware costs and meaningful access to data assets. In this case, efficiency and resources saving are expected to bring cost down and strengthen existing value proposition for brand owners and distributors. In return, retail sales and marketing service providers are able to achieve business success in such a digitalisation era.

According to the Frost & Sullivan Report, along with the digitalisation transformation progress in recent years, China’s retail sales and marketing services market is becoming more well-established and integrated, which would create long-term and positive impacts on the development of the retail market. Further, China’s retail sales and marketing services market has been propelled by the PRC government policies, for example National Economic and Social Development during the “14th Five-Year Plan” Period, which create a favourable development environment for starting new businesses and new growth potential for the market. For the year ended 31 December 2021, our Group recognised revenue of RMB416.3 million, which accounted for approximately 0.03% in the FMCG retail sales and marketing services market. In addition, the Company accounted for approximately 0.02% of the overall retail sales and marketing market in the PRC in 2021.

Our Performance

Our revenue slightly increased by 0.7% from RMB413.6 million for FY2020 to RMB416.3 million for FY2021, primarily attributable to the increase in revenue from tasks and marketers matching service and SaaS+ subscription. Our revenue increased by 48.5% from RMB416.3 million for FY2021 to RMB618.1 million for FY2022.

Customised marketing solution, being our long-established business, contributed the largest share of our revenue for each year of the Track Record Period, accounting for 74.0%, 65.5% and 74.4% of our total revenue for FY2020, FY2021 and FY2022, respectively. The following table sets forth our revenue by service types for the years indicated:

	FY2020		FY2021		FY2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Customised marketing solution	305,888	74.0	272,724	65.5	459,623	74.4
Tasks and marketers matching service	32,127	7.7	59,238	14.2	82,062	13.3
Marketers assignment service	73,583	17.8	69,412	16.7	48,713	7.8
SaaS+ subscription	1,973	0.5	14,915	3.6	27,712	4.5
Total	413,571	100.0	416,289	100.0	618,110	100.0

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Our gross profit amounted to RMB164.0 million, RMB170.2 million and RMB173.6 million for the three years ended 31 December 2022, respectively, and our gross profit margin amounted to 39.6%, 40.9% and 28.1% for the same periods. Customised marketing solution contributed the largest share of our gross profit and accounted for 53.3%, 48.2% and 52.4% of our total gross profit for FY2020, FY2021 and FY2022, respectively. The following table sets forth a breakdown of our gross profit and gross profit margin by types of services for the years indicated:

	FY2020		FY2021		FY2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Customised marketing solution	87,474	28.6	82,040	30.1	90,958	19.8
Tasks and marketers matching service	10,357	32.2	16,764	28.3	20,386	24.8
Marketers assignment service	65,580	89.1	61,633	88.8	43,733	89.8
SaaS+ subscription	555	28.1	9,812	65.8	18,490	66.7
Total	163,966	39.6	170,249	40.9	173,567	28.1

We achieved net profit of RMB53.9 million, RMB59.0 million and RMB52.7 million, representing net profit margin of 13.0%, 14.2% and 8.5% for FY2020, FY2021 and FY2022, respectively. By excluding the impact of [REDACTED], we had an adjusted net profit (Non-HKFRS measure) of RMB53.9 million, RMB67.4 million and RMB70.6 million for FY2020, FY2021 and FY2022, respectively.

Our Technologies

Our FMES platform contains digitalised tools with different functionalities and data assets accumulated from our provision of services over the years. We utilise our digitalised tools to manage data collected during our daily operations and transform them into valuable data assets, which in turn facilitate our business process. As such, our digitalised tools enable us to manage our business processes, which include formulating implementation plans, managing implementation process and collecting, verifying, processing and analysing data to produce data analytics.

We collect and process in our daily operations fragmented and unorganised first-hand information relating to (i) sales and marketing performance by our and third-party marketers (including attendance and task completion records); (ii) consumer behaviours and feedback; and (iii) sales and purchase transactions. Our marketer pool comprises marketers with different backgrounds, experience and skill sets. For FY2022, the number of average monthly active marketers was 23,008, spreading across more than 320 cities in 31 provinces/municipalities in China. In order to effectively manage on-site performance of marketers, we divide on-site implementation of sales and marketing activities into different tasks and evaluate performance of our marketers on the tasks. Typical examples of tasks include sales and promotion of merchandise, assisting in marketing campaigns, in-store merchandise display, stock inventory management and other daily operations. For FY2022, the total number of tasks completed was over 683,000. In view of such volume of data, we need a reliable and scalable platform to support our provision of effective sales and marketing services. In particular, *MiJob Square*, being one of our flagship digitalised tools, facilitates easy task application for marketers, while also facilitates remote management of marketers and monitoring of task performance and status for us.

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Meanwhile, our tasks and marketers matching service utilises big data and AI technologies to generate and continuously improve matching recommendations of marketers with tasks. Since different tasks at offline retail stores in different areas (which may have different target consumer groups, consumers’ behaviour and preference and merchandise variety) would require marketers with different background, experience and skill sets, etc., we believe we can enhance our ability in achieving better results (such as sales amount) using AI-generated matching recommendations.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success:

Established sales and marketing service provider in China

We are an established sales and marketing service provider based in the PRC, primarily focusing on providing on-site sales and marketing solutions to market-leading FMCG (fast-moving consumer goods) brand owners and distributors with the use of our digitalised tools. Leveraging our industry expertise, understanding of sales and marketing and retail operations and technological capabilities, we are capable of offering our customers of different sizes and scales from various industries who have different requirements and budgets with a wide range of services, such as (i) formulating plans and implementing events to drive the sales of particular merchandise, (ii) easy access to a pool of marketers for on-site implementation, (iii) data analytics of market potential of selected geographical locations or specific offline retail stores where our customers may not have physical presence, thereby reducing operating costs associated with human resources-related administration matters.

Since 2004, we have been providing traditional sales and marketing services for FMCG brand owners and distributors in China. Given the complicated nature and diversity of offline retail operations, it is challenging for our customers to implement sales and marketing initiatives effectively, or to monitor and evaluate the relevant results efficiently. Recognising the benefits of how technologies could improve sales and marketing in offline retail operations and huge market potential in the industry, we started to use digitalised tools in our business process in 2012. Since then, we have continued to expand the functionalities of our digitalised tools to provide technological support to our services. We launched our tasks and marketers matching service and SaaS+ subscription in 2019 and 2020, respectively, with a view to generating long-term and recurring revenue from a wider range of customers. Owing to our continuous effort in promoting our tasks and marketers matching service and SaaS+ subscription, we provided tasks and marketers matching service and SaaS+ subscription to 38 and 95 customers for FY2022, respectively.

Our services are well recognised in the market. In particular, according to the Agency Scope China 2019/20 study, we were the agency most valued by our clients for the following attributes: (i) innovative agency (business transformation through different offering); (ii) good at sales promotions/activation; and (iii) good execution. For our other recognitions and awards, see “— Awards and recognition” in this section.

Strong network effect and synergy effect enabled by our business model

Our business model engages different stakeholders in the offline retail operation. We offer services to customers of different sizes and scales which are scattered over different geographical locations in the PRC. Generally, our services require on-site implementation by marketers. Marketers mainly refer to the persons who directly interact with consumers and perform on-site implementation of sales and marketing activities, such as salespersons and frontline staff. As at the Latest Practicable Date, our services cover more than 320 cities in 31 provinces/municipalities in China. Our strong and expanding marketer pool creates a strong network effect that helps us expand our customer base, while the expansion of our

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customer base brings higher task volume. Such higher task volume allows us to motivate marketers to stay active with us and attract more marketers with diverse backgrounds and skill sets, which in turn strengthens our capability to match a more suitable marketer for a particular task. Improved task matching capability enables us to enhance our service quality.

Our services also create synergies among different stakeholders engaged in our business operations, in particular our customers and marketers. On one hand, we help our customers to implement their sales and marketing initiatives efficiently and enhance their offline retail sales performance. On the other hand, we help marketers to search for jobs with monetary rewards, thereby attracting more marketers to join our marketer pool. Meanwhile, as marketers are required to report their attendance and performance of the tasks via our digitalised tool, we have created a large and real-time database which assists our customers to evaluate the sales and marketing activities.

Data-centric operation empowered by our FMES platform

We collect and process in our daily operations fragmented and unorganised first-hand sales-related and consumer-related information input by our marketers, including attendance records, task completion, sales performance and consumers’ feedback. Benefiting from data input by marketers while they carry out tasks, for the Track Record Period, we have accumulated data assets for over 4 million points of sale from more than 360 cities in 31 provinces/municipalities in China. In the retail market, if a sales and marketing activity involves a large amount of highly dispersed offline retail stores and/or marketers, it would be very difficult for our customers to track and manage each sale made and contract signed by each offline retail store and marketer and to evaluate the performance of each offline retail store and marketers. In view of such a massive volume of data, we use technologies to support our provision of services and collection of information for data-driven decision-making.

Unlike the traditional way of implementing sales and marketing services, which heavily rely on the information provided by the customers to formulate sales and marketing strategies and to manually manage the implementation process, we provide services with the support of our digitalised tools and the data we accumulated over the years in provision of services, which we believe set us apart from our competitors, as (i) such accumulated data asset allows us to deepen our insights into the FMCG industry and gain market intelligence, as well as broadening our industry network by establishing connections with major stakeholders in the offline retail operation; (ii) our customers would also benefit from our customised marketing solutions formulated based on the data we processed and achieve better sales performance as a result; and (iii) our digitalised tools would allow us to manage and oversee the overall project implementation process. The ability to devise, manage and coordinate various aspects of a marketing project and the delivery of customised marketing solutions has allowed our Group to assist our customers to address their challenges and to ensure the delivery of envisaged marketing solutions.

Our FMES platform contains digitalised tools with different functionalities and data assets accumulated from our provision of services over the years. Such platform primarily enables us to effectively manage our business processes, which include formulating implementation plans, managing implementation process and collecting, verifying, processing and analysing data to produce meaningful data analytics. For instance, one of our customers, a FMCG brand owner that primarily engages in food products and beverages, found it difficult to get through and analyse data from different software and systems, such as marketing management systems, finance systems or employee management systems, which had been used by its various branch companies. Benefiting from our services supported by digitalised tools, such brand owner customer was connected to different sales and marketing agencies, marketing supervisors and marketers and was able to obtain data with consistent data tags for the ease of

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carrying out analyses and evaluation on its sales performance. Other than supporting our services, as the operator of digitalised tools, we gain market insights from data and thus, have continuously refined our services to fit the evolving demands from customers.

We attach great importance to product R&D and technological advancement. As at 31 December 2022, our innovation centre team, which was responsible for innovation and R&D, had 50 R&D staff and had R&D teams in Shanghai, Beijing, Guangzhou and Dalian. During the Track Record Period and up to the Latest Practicable Date, we have consistently upgraded our digitalised tools and launched over 1,000 updates or new features that cater to the evolving needs of our customers. As at the Latest Practicable Date, we had 84 software copyrights registered in the PRC which we consider to be material or may be material to our business.

Large and diverse marketer pool

Supported by our marketer pool, we are capable of meeting customers’ demands and serving customers who have different merchandise, target consumers, requirements and budgets. Our marketer pool comprises employee marketers (who have employment relationships with us) and third-party marketers (who do not have any employment or contractual relationship with us and are supplied to us by labour service suppliers). The number of marketers who have registered for the use of our digitalised tool increased from over 331,400 as of 31 December 2020 to over 453,000 as of 31 December 2022, with the number of average monthly active marketers increased from over 16,200 as of 31 December 2020 to over 23,900 as of 31 December 2022.

We use a task-based management system in our daily operations to manage the implementation process of our projects, as well as the performance of marketers. Typical examples of tasks include sales and promotion, assisting in marketing campaigns, in-store merchandise display, stock inventory management and other daily operations. Building on our marketer pool, we have achieved a completion rate for tasks (which is calculated by dividing total number of tasks completed by total number of tasks published) of over 72% for FY2022, thereby satisfying our customers’ demand for different sales and marketing services, whether one-off, short-term or continuous. We not only made our customers’ engagement of sales and marketing service providers easier and more convenient, but also help marketers to obtain monetary rewards.

We value the experience of our marketers. In particular, our digitalised tool which is created for the use by marketers, namely *MiJob Square*, has a simple interface and is easy to access from mobile, encouraging users to stay tuned for newly released tasks thereby. Using such a digitalised tool, marketers can easily and conveniently search for tasks, receive training videos and follow-up quizzes, so that they could be better prepared and equipped to satisfactorily fulfil their task duties and meet our customers’ expectations.

Taking advantage of our readily available and extensive marketer network, we believe that we are able to stand out amongst our competitors in assisting our customers to achieve enhanced sales with lower costs, hence capturing a greater portion of the huge market opportunities.

High-quality customer base with expansion potential

We have a high-quality customer base. For the Track Record Period, a majority of our revenue was derived from customers which are brand owners and distributors. For FY2022, we had 43 brand owner customers. For the Track Record Period, a majority of our brand owner customers were engaged in the FMCG industry, including daily commodities, food products and beverage and consumer electronics. For the same period, a majority of our brand owner customers and most of our top five customers in each year

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of the Track Record Period are market-leading FMCG brand owners (including Fortune Global 500 companies, Top 500 Enterprises of China companies and/or otherwise market-leading FMCG brand owners in the PRC and/or have global presence).

Meanwhile, we have maintained long-term and stable business relationships with our customers. As at 31 December 2022, we had an average of seven years of business relationship with our top five customers.

Since the launch of tasks and marketers matching service and SaaS+ subscription in 2019 and 2020, respectively, both services have been widely used and accepted by both existing and new customers. With respect to our tasks and marketers matching service, we experienced a growing number of customers with the number of customers being 15, 19 and 38 for FY2020, FY2021 and FY2022, respectively. With respect to SaaS+ subscription, the number of customers increased from 3 for FY2020 to 8 for FY2021, and then increased to 95 for FY2022.

Our solid customer base has allowed us to expand our business by cross selling our service offerings and soliciting our customers’ business partners to be our new potential customers, while our diversified service offerings have enabled us to continuously expose ourselves to brand owners, distributors and offline retail stores, forming a pool of customers and potential customers of different background and thus providing us with business opportunities on a recurring basis.

We have also established a strategic cooperation relationship with Baidu Smart Cloud (百度智能雲), a leading AI company based in the PRC, under which Baidu Smart Cloud uses its AI, big data and cloud computing and other technologies to assist us in the construction of digitalised sales and marketing platforms and a digital database containing information on evaluation, historical sales performance and potential market size of offline retail stores. Currently, such database forms part of our platform and enables us to help our customers grasp the demographics and spending power of target consumer groups that our network covers in China.

Seasoned and insightful management team

Our management team has a proven track record in the offline sales and marketing industry and the operation of market-leading brands. Our visionary management, Mr. Sun Guangjun (孫廣軍) has over 28 years of experience in the marketing industry. Leveraging his extensive industry experience in management and strategic planning acquired from his previous positions with some Fortune Global 500 companies, Mr. Sun has led us through our business development. In particular, our management has enabled our digitalisation transformation from a traditional sales and marketing service provider to an established sales and marketing service provider supported by our FMES platform.

Under the leadership of our seasoned management team, we have seized the market opportunity to establish relationships with high-quality market-leading FMCG brand owners, expand our service offerings and continue to upgrade our business model to achieve long-term sustainability.

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OUR GROWTH STRATEGIES

Enhance our R&D capabilities and develop advanced sales and marketing digitalised tools as well as attracting and retaining R&D talents

As our sales and marketing services has been well-received by the market, we aim to enhance our existing and develop new digitalised tools to drive revenue growth. To strengthen our competitiveness, we plan to use a significant portion of the [REDACTED] from the [REDACTED] for enhancing our core technology R&D capabilities, which includes (i) upgrading of our FMES platform and digitalised tools; (ii) establishing a cloud-based sales and marketing platform as a service (PaaS) system; (iii) enhancing our Shanghai headquarters and Dalian R&D centre; and (iv) enhancing our technology infrastructure.

In particular, our plan relating to upgrading our FMES platform and digitalised tools will focus on:

- with respect to our FMES platform, we will strengthen the capabilities and improve certain of our digitalised products, including *BrandKEY*, *Channel Station* and *Touchkit*, and develop operational centres that contain necessary functions, such as marketers operational centre and points of sale operational centre, to provide a wider range of services to our customers;
- with respect to our digitalised tools, we will upgrade and develop new features to meet the evolving market demands, thereby enabling better utilisation of our digitalised tools to support our service offerings and minimising our manual input in the provision of our services;
- with respect to our SaaS+ subscription, we will focus on digitalising our customers’ offline sales and marketing activities and offer services and/or digitalised tools to serve a wider variety of offline retail operations, thereby allowing us to cater to diversified customer needs; and
- with respect to data empowerment, we will focus on operations in the areas of big data mining, R&D and optimisation of algorithms, thereby enabling our customers to overcome data barriers and improving their operational efficiency and effectiveness. For example, we will establish business centres to support our digitalised platforms and create systems and indexes of data tags, algorithms, performance indicators of sales and promotional activities.

We believe such an upgraded FMES platform and digitalised tools can help us provide sales and marketing services to a wider range of customers.

Meanwhile, our plan in relation to our headquarters and R&D centre is expected to benefit us in the following ways:

- the enhancement of our Shanghai headquarters and Dalian R&D centre will provide additional and sufficient office space to support our recruitment plan for hiring 35 R&D talents over the next three years. We believe that our enlarged R&D team would facilitate our ability to accelerate technology and digitalised tools innovations and expand the applicability of our digitalised tools to different offline retail operations. Furthermore, these new staff could help us address the evolving business needs of our customers and other industry participants along the value chain.

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We recognise that all of our staff are critical to our success and long-term business development. Possessing qualified and experienced management capability and service professionals are key success factors for marketing companies as outstanding talents are able to quickly provide sales and marketing solutions due to their experience and business acumen. Meanwhile, these talents are expected to be able to handle business development and collaborate with technology teams to integrate technology empowered sales and marketing tools or service innovations. Industry expertise and experience can only be acquired and accumulated over the long term, and new entrants may not be able to afford or develop such capabilities in short term. We plan to use a portion of the [REDACTED] from the [REDACTED] to continue to attract and retain talented staff, including (i) R&D staff, such as industry experts, digitalised product managers and assistants, testing engineers and algorithm and data analysts and management and support staff, who will be responsible for enhancing our core technology capabilities and fundamental R&D; and (ii) business team members, who will help accelerate the business development of our customised marketing solution and tasks and marketers matching service.

We intend to remunerate our managerial and other key staff with compensation packages that we believe to be competitive in our industry. Also, we may provide our talented and promising staff with training and rotation opportunities to help them develop professionally and enhance their work experience so they can become competent managers. We also intend to provide professional trainings to our sales team to strengthen their capabilities to serve our customers, thereby enhancing customer loyalty. Aside from trainings, we will also organise various team building activities to build the morale of our staff and to instil a sense of belongings in our staff as they grow with our Group. In addition, as we plan to expand our service offerings and geographical coverage of our business, we expect to hire additional talents to cater for and in line with our expansion needs. With continued effort on the development of our valuable human resources, we believe that we will be successful in retaining and motivating our managerial, sales and operations, R&D and other staff and continue to attract more talented individuals.

Raise awareness of our brand and increase market share

With experience and expertise, many sales and marketing services providers have become more familiar with the effectiveness of different types of sales and marketing campaigns towards target customers. On the other hand, advertisers understand that the effectiveness and efficiency of the collaboration between advertisers and services providers significantly determines the performance of market campaigns. Therefore, a sustainable and mutual cooperation between both sides can ensure the long-term development for both participants.

We plan to use a portion of the [REDACTED] from the [REDACTED] to increase our market share in the PRC by promoting our own brand to further our business growth, as well as strengthening our sales and marketing channels. We intend to promote our services to market-leading companies, as well as SMEs, in the FMCG industry and extend our services to other industries, such as finance and tourism industries. We plan to drive the penetration of our service offerings and digitalised tools through word-of-mouth referrals and a range of other channels, such as customer meetings, conducting regular market researches and industry conferences and events, as well as by engaging online sales and marketing channels including strategically placing advertisements on professional and social network platforms. We also plan to establish an exhibition hall in Shanghai to display our landmark cases. Also, the exhibition hall will demonstrate how our digitalised tools are used in different retail operations, thereby enhancing our customers' understanding in our technology capabilities and services.

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Establish our international presence

We plan to expand into the retail support services markets outside the PRC, such as Southeast Asia (including Singapore and Indonesia) and Japan, by leveraging our proven track record in serving market-leading FMCG brand owner customers with a view to capturing overseas market opportunities. Based on a feasibility study conducted by us, we consider that the retail markets in these countries are sustainable and the development of the retail support services markets are promising.

According to the Frost & Sullivan, the retail markets in Japan, Singapore and Indonesia would sustain positive growth and nurture opportunities for the sales and marketing services providers in their respective retail industry. The competitive landscape of sales and marketing industry in these mentioned countries are relatively fragmented. Accordingly, it is expected that the entry barrier into these countries would not be too high.

In conclusion, considering the current competitive landscape of the retail industry, the strong demands for service providers of sales and marketing technology in Japan, Singapore and Indonesia, and the high quality of our customers in terms of their sales and geographical presences, our Directors are of the view that development opportunities are plentiful in the abovenamed countries for new entrants like us. The overseas expansion is a long-term plan of our Group and as of the Latest Practicable Date, we have not yet commenced implementation of our overseas expansion plan.

Pursue strategic investment, acquisition and cooperation

We intend to pursue strategic cooperation with selected institutions and enterprises, including but not limited to strategic alliances, investments, joint ventures and/or acquisitions, that may be complementary to our growth strategies, particularly those that can help us enrich our service offerings, enhance our technologies, and expand our customer and user base. We also intend to enrich our existing capabilities, enhance our core competencies and supplement our strategic business development plan. Currently, we plan to strategically acquire large companies in the PRC which could enable us to rapidly expand our business across the country. In particular, we intend to look for traditional sales and marketing companies in the PRC. Since our current business operations cover more than 320 cities in 31 provinces/municipalities in China, there are no limitations on the location(s) where potential targets might be located. When selecting and assessing potential targets, we will consider a number of selection criteria, which include:

- (i) we intend to look for a target that is traditional sales and marketing company in the PRC, which has a focus on FMCG industry. Therefore, such target would have a similar business focus and experience in serving FMCG customers. We expect that such target can help enhance our capability in serving a wider range of FMCG customers and expand the applicable offline retail operation of our services. Also, we can minimise time required for organic growth and business expansion;
- (ii) we may look for a target that has an established customer base consisting of international and local market-leading brand owners and/or distributors. We expect such target would help expand our customer base and thus, enhance our market presence and strengthen our market share;
- (iii) we may look for a target that has an established marketer base, which could be employee marketers and/or third-party marketers, so that the target could help us expand our marketer base. With an enlarged marketer base, we expect to broaden geographical coverage of our marketer network, manage task acceptance and completion capacity more effectively, and thus, enhance our task completion rate;

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- (iv) we may look for a target that possesses competitive advantages in areas we consider valuable to our existing business operation. We expect such target can help expand our service coverage in different offline retail operation and complement with our existing services. Also, such target is expected to enhance our business growth, brand awareness and financial performance; and
- (v) we intend to look for a target that has proven track record in providing traditional sales and marketing services and at least an annual revenue of RMB150 million.

Based on the expert interviews conducted by Frost & Sullivan, for our selection criteria and the availability of such targets, as of 2021, there were approximately over 300 sales and marketing companies in China that had revenue of at least RMB150 million.

We believe our extensive industry experience and insights will enable us to identify suitable potential opportunities and effectively evaluate and execute such opportunities. For potential investment, in the long run, we will utilise our internally generated resources to enhance the performance of the acquired companies, such as sharing our extensive industry experience, implementing our advanced operation models, reorganising their corporate governance structure to help them integrate into our operations, as well as establishing a competitive and flexible remuneration system, with the goal to form sustainable and mutually beneficial relationships with such acquired companies.

In the past, we expanded organically through setting up branch offices in different locations across the mainland China due to the lower cost required. However, such expansion strategy was subject to limitations in acquiring competitive capabilities and prevented us from acquiring important benefits that could only be achieved through strategic investment in, acquisition of and cooperation with external targets, including convenient access to an established customer portfolio to broaden our customer base. With an elevated corporate image, which may allow us to attract sizable and quality targets with capabilities we seek, and stronger financial resources upon the successful [REDACTED], we believe that it would be appropriate for us to step up and expand through strategic investment, acquisition and cooperation.

As of the Latest Practicable Date, we do not have any specific investment or acquisition plans or targets and have not entered into any definitive agreements with any potential targets.

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OUR BUSINESS MODEL

Our business model covers different offline retail operations. In an offline retail operation, brand owners/distributors, points of sale and marketers are major stakeholders which drive the sales of merchandise. They interact with and affect one another, thereby creating different possibilities. In response, our services connect these stakeholders and bring network effects to and synergies among them. The following diagram describes the relationship among the stakeholders and how our services facilitate them in the offline retail operation:



Notes:

- (1) Brand owners and distributors supply merchandise to points of sale for retail purpose. We provide services to brand owners and distributors to assist them to carry out sales and marketing initiatives, offline retail network management and obtain sales and marketing data analytics.
- (2) Points of sale refer to places where retail transaction takes place, such as supermarkets, grocery stores, convenience shops, department stores, outdoor promotional campaigns and other retailers. Sales and marketing activities in points of sale require marketers for on-site implementation, including providing product-related information and services to consumers, in-store merchandise display, stock inventory management and other daily retail operations.
- (3) Marketers mainly refer to the persons who directly interact with consumers and perform on-site implementation of sales and marketing activities, such as salespersons and frontline staff. They not only affect the consumers’ experience and choice on merchandise, but also possess first-hand sales-related and consumer-related information, such as sales performance, consumer behaviour and consumers’ feedbacks on merchandise. In the context of our business operations, we categorise our marketers into employee marketers and third-party marketers.
- (4) Marketers can search for tasks using our digitalised tool. Typical examples of tasks include sales and promotion, assisting in marketing campaigns to interact with and/or attract new potential consumers, in-store merchandise display, stock inventory management and other daily operations. Having accepted the tasks, marketers will execute the required task duties and thus, facilitate us to provide sales and marketing services to our customers. After marketers finish the tasks, they earn monetary rewards in return for their services provided.

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- (5) Using our digitalised tools, we collect from marketers’ first-hand sales-related and consumer-related information. Meanwhile, using certain built-in functions of our digitalised tools, we verify the accuracy of the information.
- (6) Afterwards, via our digitalised tools, the offline information is converted into data assets, processed using consistent data tags and analysed to provide meaningful data analytics. We provide customers with data analytics, thereby allowing them to increase operational efficiency, obtain first-hand consumers’ insights in a timely manner and gain the upper hand in the competitive market.

OUR SERVICE OFFERINGS

We offer a range of sales and marketing services that target different sales and marketing activities, which are mainly carried out at offline retail stores, such as supermarkets, department stores, outdoor promotional campaigns, etc.. The following table sets compares and differentiates our four types of services:

	Customised marketing solution	Tasks and marketers matching service	Marketers assignment service	SaaS+ subscription
Service offerings	Solution services for customised sales and marketing activities with set up of venues and event materials	Standardised sales and marketing activities that do not involve set up of venues and event materials	Manpower assignment and management	Customisation (on an as-needed basis) and subscription of readily-available digitalised tools
Core value to customers	Helping formulate and implement customised sales and marketing plans at pre-determined offline retail stores	Helping formulate and implement standardised sales and marketing activities at pre-determined offline retail stores Helping find suitable marketers to promote customers’ merchandise and drive sales	Enabling customers to reduce operating costs associated with human resources-related administration matters	Supporting customers to streamline their sales and marketing process and manage their offline retail network
Deliverable	Organising and implementing offline activities Typical examples of customised sales and marketing activities include promotional activities, marketing events, roadshows, product launch events, order-placing events and appreciation ceremonies	Analysing historical task performance of marketers and providing matching recommendations on tasks and suitable marketers Publishing tasks to find suitable third-party marketers based on matching recommendations Providing online and/or offline training to third-party marketers and managing their performance Typical examples of standardised sales and marketing activities include sales and promotion of customers’ merchandise and in-store merchandise display	Assisting our customers in recruitment, training and appraisal of employee marketers for offline retail stores designated by customers and management of human resources-related administration matters Maintaining employment relationship with employee marketers, thereby allowing continuity and consistency of the relevant positions	Access to our digitalised tools, together with customisation on an as-needed basis

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	Customised marketing solution	Tasks and marketers matching service	Marketers assignment service	SaaS+ subscription
Major digitalised tool(s) involved	<i>Remotes, SMV and MiJob Square</i>	<i>Touchkit and MiJob Square</i>	<i>eHR and MiJob Square</i>	<i>BrandKEY, Channel Station, Site DNA and MiJob Square</i>
Major components of our fees	Fixed service fees	(i) Performance-based fees; and/or (ii) Fixed fees including service and/or system fees	(i) Fixed service fees; and (ii) Employee marketers' salaries, benefits and disbursements as reimbursements to us	Fixed service and/or subscription fee
Our risks in relation to fee model	In certain cases, if we could not achieve performance indicators (such as marketers attendance rates, recruitment rates, etc.) as set out in the service agreements, our customers can deduct the agreed fees	If the performance of the marketers could not meet the performance indicators (such as sales amounts of the offline retail stores or number of completed tasks) as set out in the service agreements entered into between us and our customers, we can only generate a minimal amount of revenue based on the fixed service fees	Minimal	Minimal
Major marketing channels	Quotation/tender	Quotation/tender	Quotation/tender	Quotation
Major types of customers	Brand owners	Brand owners	Brand owners	Brand owners
Major types of suppliers	Labour service providers (which provide third-party marketers), event consumables suppliers and logistics service providers	Labour service providers (which provide third-party marketers)	Human resources agencies (which provide payment services of social insurance and housing provident funds)	IT service providers
Major types of marketers	Employee marketers and third-party marketers	Third-party marketers	Employee marketers	N/A
Contract duration	3 days to 2 years	Less than 1 month to 3 years	2 months to 3 years	1 week to 2 years

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Key operating data

The following table sets out key operating data regarding our customers for the years indicated:

	FY2020	FY2021	FY2022
The Group			
<i>Number of:</i>			
— Brand owner customers	47	41	43
— Distributor customers	14	25	127
<i>Revenue (RMB '000) from:</i>			
— Brand owner customers	343,213	341,563	555,569
— Distributor customers	70,358	74,727	62,542
<i>Average revenue (RMB '000) per:</i>			
— Brand owner customer (Note 1)	7,302	8,331	12,920
— Distributor customer (Note 2)	5,026	2,989	492 ^(Note 4)
Customised marketing solution			
<i>Number of:</i>			
— Brand owner customers	35	30	26
— Distributor customers	10	17	28
<i>Revenue (RMB '000) from:</i>			
— Brand owner customers	236,373	202,887	408,190
— Distributor customers	69,515	69,837	51,435
<i>Average revenue (RMB '000) per:</i>			
— Brand owner customer (Note 1)	6,754	6,763	15,700
— Distributor customer (Note 2)	6,952	4,108	1,837
Tasks and marketers matching service			
<i>Number of:</i>			
— Brand owner customers	12	14	20
— Distributor customers	3	6	19
<i>Revenue (RMB '000) from:</i>			
— Brand owner customers	31,947	57,072	74,451
— Distributor customers	180	2,166	7,611
<i>Average revenue (RMB '000) per:</i>			
— Brand owner customer (Note 1)	2,662	4,077	3,723
— Distributor customer (Note 2)	60	361	401
Marketers assignment service			
<i>Number of:</i>			
— Brand owner customers	22	14	15
— Distributor customers	1	2	5
<i>Revenue (RMB '000) from:</i>			
— Brand owner customers	72,920	68,291	47,176
— Distributor customers	663	1,122	1,537
<i>Average revenue (RMB '000) per:</i>			
— Brand owner customers (Note 1)	3,315	4,878	3,145
— Distributor customers (Note 2)	663	561	307

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	FY2020	FY2021	FY2022
SaaS+ subscription			
<i>Number of:</i>			
— Brand owner customers	3	4	6
— Distributor customers	—	5	89
<i>Revenue (RMB '000) from:</i>			
— Brand owner customers	1,973	13,313	25,752
— Distributor customers	—	1,602	1,960
<i>Average revenue (RMB '000) per:</i>			
— Brand owner customer (Note 1)	658	3,328	4,292
— Distributor customer (Note 2)	—	320	22

Marketers

Average monthly active marketers (Note 3)	16,220	23,374	23,008
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Notes:

1. Average revenue per brand owner customer is calculated by dividing revenue from brand owner customers by number of brand owner customers for the respective period.
2. Average revenue per distributor customer is calculated by dividing revenue from distributor customers by number of distributor customers for the respective period.
3. Average monthly active marketers is calculated by dividing (i) the sum of monthly active marketers for the respective period by (ii) twelve months. In the context of our business operations, we categorise our marketers into employee marketers (who have employment relationships with us) and third-party marketers (who do not have any employment or contractual relationship with us).
4. The decrease in average revenue per distributor customer for FY2022 was mainly because we procured a large number of small-scale distributor customers for the same year, which had relatively less budgets for sales and marketing.

Customised marketing solution

Overview

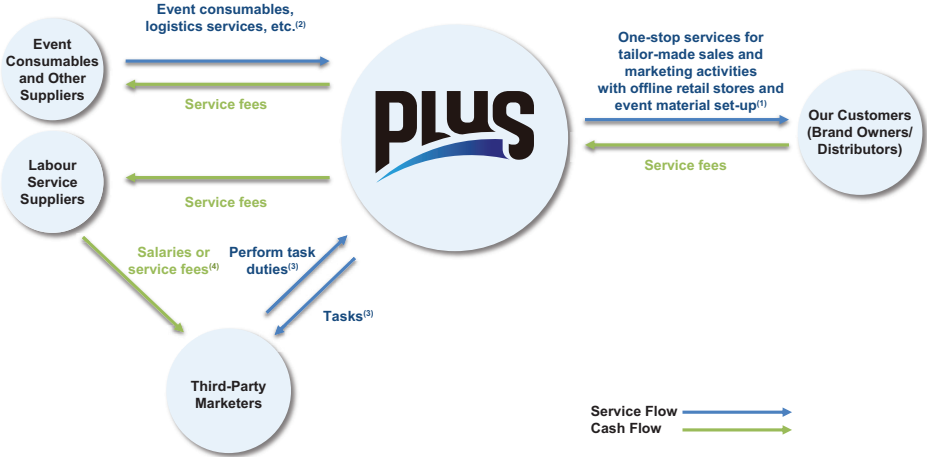
Customised marketing solution, being our long-established business, contributed the largest share of our revenue and accounted for 74.0%, 65.5% and 74.4% of our total revenue during each year of the Track Record Period. We formulate and implement customised sales and marketing plans of our customers' merchandise at offline retail stores with a view to raising brand awareness, promoting merchandise and driving sales. In particular, we set up venues, arrange marketers and event consumables and facilitate overall project management. Typical examples of customised sales and marketing activities include promotional activities, marketing events, roadshows, product launch events, order-placing events and appreciation ceremonies.

The various activities from customised marketing solution together form a single performance obligation as we provide an integrated service. Revenue for provision of customised marketing solution is recognised on a gross basis over time while the contract costs to fulfil a contract, such as labour costs, event consumables and operating cost are recognised as cost of services. See Notes 2.22 and 4(a) to the Accountant's Report in Appendix I to this document for further details on significant accounting policies regarding revenue recognition and critical accounting estimates and judgements in relation to revenue recognition.

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Business model and process

The following diagram illustrates the business model of our customised marketing solution:



Notes:

1. We formulate and implement customised sales and marketing plans of our customers’ merchandise at offline retail stores with a view to raising brand awareness, promoting merchandise and driving sales. In particular, we set up venues, arrange marketers and event consumables and facilitate overall project management.
2. Major suppliers of customised marketing solution include labour service suppliers, event consumables suppliers and logistics service suppliers. Further details on labour service suppliers, see “Our service network and marketers” in this section.
3. Our customised marketing solution requires on-site implementation by marketers. Depending on the nature of the customised marketing solution and our customers’ requirements, we may engage employee marketers or third-party marketers. Employee marketers have employment relationship with us, while third-party marketers do not have any employment or contractual relationship with us and are supplied by our labour service suppliers. In order to efficiently manage marketers in daily operations, we use a task-based management system. Tasks are published using *Remotes* and marketers can access a list of available tasks and apply for any suitable tasks using *MiJob Square*. Typical examples of tasks include sales and promotion, assisting in marketing campaigns to interact with and/or attract new potential consumers and other daily operations.
4. We do not directly pay third-party marketers. Instead, we enter into service contract with labour service suppliers and pay them service fees, which in turn make payments of salaries/service fees to third-party marketers. Further details on labour service suppliers, see “Our service network and marketers” in this section.

We identify potential projects generally through quotation invitations or competitive tender from existing and potential customers. For further details on the tendering process, see “Our sales and marketing” in this section.

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We act as the adviser, organiser and overall project manager and are responsible for all aspects of the customised marketing solution project. The flowchart below summarises the major business process of our customised marketing solution:



1. ***Communication with customers and offering advice and solutions***

Our customer puts forward specific sales and marketing aims and requirements and we communicate with customers on details of the services, such as: dates and duration of the events, venues selection and design and contents of any event consumables required. We continuously discuss with our customers and offer advice and solutions and confirm with our customers on the scope of services;

2. ***Formulating implementation plan and strategic planning***

Based on our customers’ goals and requirements and our understanding of the background and market position of our customer, the nature of the merchandise, the budget from customers, our internal resources, and a wide range of other factors, we then formulate an implementation plan, including the activity planning, floor plan, safety and security measures, a list of event materials and a list of marketers required. The implementation plan would continue to be revised according to our customers’ requests and our advices until it is approved by our customers;

3. ***Preparation***

Based on the approved implementation plan, we source and coordinate with suppliers in relation to event consumables and venues, and ensure appropriate logistics and facilities. Tasks are published via *Remotes* and marketers can apply for tasks using *MiJob Square*. Marketers for customised marketing solution include employee marketers who have employment relationship with us and third-party marketers who do not have any employment or contractual relationship with us. Tasks information includes duration and frequency, location, detailed description of duties, amount and calculation method of remuneration and other important notes. After marketers apply for the tasks and we approve their application, we may provide online and/or offline trainings so that they could have a better picture on how to fulfil their tasks and our customers' expectations and follow-up quizzes, for us to ensure they have the adequate competency to complete the tasks;

4. ***Implementation and production***

During the implementation of a customised marketing solution project, we normally position ourselves as the overall project manager to supervise and monitor on-site implementation of the plan. We are responsible for implementing the plan, including time and venue arrangement, logistics arrangement and installation and setting up of event materials, coordinating with the suppliers and service providers and monitoring the attendance and performance of marketers. We are also responsible for ensuring the safety and wellbeing of the guests of the events. Marketers implement the required task duties and thus, facilitate us to implement customised marketing solution projects.

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We primarily utilised three digitalised tools at this stage. In addition to task publication, *Remotes* is used for managing on-site implementation. It contains a set of integrated tools for real-time project management, task management and internal communications. *MiJob Square* is used by marketers to report their attendance and task completion. For example, they are required to upload a self-portrait when they arrive at work, take photos of entire venue and other particular areas and input performance-related data, such as units of merchandise sold, units of promotional gifts distributed, amount of stock inventory and number of display shelves organised, with photos taken using built-in camera function of *MiJob Square* as supporting evidence. The built-in camera function ensures photos submitted as supporting evidence would not be edited by the marketers. We may evaluate the effectiveness of the customised marketing solution using *SMV* to arrange on-site visits at offline retail stores and report any red flags regarding sales management and operational performance, such as low product visibility, slow-moving inventory, and other sales-related data.

5. *Continuous reporting, evaluation and customer’s payment*

Data input by marketers are retained as data assets for future reference and to facilitate data-driven strategic planning, implementation and evaluation. In order to ensure smooth implementation of the activities, our business team generally create instant message groups to timely monitor and follow up on the progress. For long-term projects, customers may require us to produce analysis reports on execution status based on data input by marketers. We issue our invoice based on the service agreement for our customer’s settlement.

Marketers

During the Track Record Period, we engaged both third-party marketers and employee marketers under the customised marketing solution.

During the Track Record Period, we engaged third-party marketers for the implementation of our customised marketing solution. Third-party marketers do not have any employment or contractual relationship with us. We enter into service agreements with labour service suppliers, who engage marketers as their employees or contractors. We do not directly pay third-party marketers. Instead, we enter into service contracts with labour service suppliers and pay them service fees, which in turn make payments of salaries/service fees to third-party marketers. Since third-party marketers do not have any employment relationship with us, they can choose whether or not to apply for tasks published on our platform. However, third-party marketers are required to abide by service standards as stated in the tasks once they have accepted the same. Our third-party marketers allow us to flexibly cope with our customers’ ad-hoc service demands.

Since 2022, we engaged employee marketers, in addition to third-party marketers, in certain of our customised marketing solution projects. It was because three of our top five customers for the Track Record Period switched from marketers assignment service to customised marketing solution for a broader range of customised sales and marketing services as a result of their changes in sales and marketing strategies and demands. Such broader range of services include (i) formulating, among others, branding strategies, sales and marketing strategies; and (ii) overseeing and managing the whole implementation process of the plans directly by arranging venues and marketers. For these customers, in order to ensure business continuity and service quality, employee marketers who had been previously working for these customers under marketers assignment service were retained by us and continued to work for the relevant customers under customised marketing solution. Each of the employee marketers is assigned to a designated project according to his/her working experiences and skill sets and thus, stations at a designated offline retail store, which allows continuity and consistency of such position. Generally, there is no overlapping service provided by our employee marketers as each of them is recruited for and assigned to a designated project. Their

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remuneration includes 1) fixed monthly salaries, which are subject to actual attendance, and 2) performance-based commissions, which are typically calculated based on stipulated performance indicators, such as sales performance of the offline retail store or sales amount of a particular merchandise. As of 31 December 2022, we had 4,399 employee marketers under customised marketing solution with a view to maintaining stable workforce for our customers and ensuring quality of services. For further details, see “Our service network and marketers” in this section.

Number of customers

The following table sets out the number of our customers who engaged us for customised marketing solution for the years indicated:

	FY2020	FY2021	FY2022
<i>Number of:</i>			
— New customers	13	17	30
— Repeating customers	29	24	21

The number of customised marketing solution customers remained relatively stable at 42 for FY2020 and 41 for FY2021 with average revenue per customer decreased slightly from RMB7.3 million for FY2020 to RMB6.7 million for FY2021, mainly because we procured certain new distributor customers during 2021. Number of customised marketing solution customers then increased to 51 for FY2022 with average revenue per customer increased significantly to RMB9.0 million for FY2022. This was mainly because three of our top five customers for the Track Record Period switched from marketers assignment service (revenue of which is recognised on a net basis) to customised marketing solution (revenue of which is recognised on a gross basis).

During the Track Record Period, we had customers which engaged us for more than one service type and/or changed the service type or combination of service types from time to time. In particular our cross-selling of customised marketing solution and tasks and marketers matching service is mainly because our customers may have different sales and marketing initiatives for different offline retail stores. For example, our customers may engage us for customised marketing solution for implementing customised sales and marketing activities in their more popular stores to promote brand awareness of new products. Our customised marketing solution is characterised by involvement of various event consumable suppliers. On the other hand, customers may engage us for tasks and marketers matching service to drive sales in less popular stores. Our tasks and marketers matching service is characterised by our capability to select suitable marketers using AI technologies and big data to help improve sales performance of designated offline retail stores.

Backlog of our projects during the Track Record Period

Backlog, with respect to our customised marketing solution, refers to our estimate of number of outstanding contracts and confirmed purchase orders to be performed upon receiving our customers’ instructions, the service terms of which had not expired as at the end of the indicated year and the corresponding amounts of revenue to be recognised pursuant to such contracts and confirmed purchase orders. Such estimate is based on the best knowledge, information and belief of our Directors as of the Latest Practicable Date.

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The following table sets out a rolling backlog of customised marketing solution:

	FY2020	FY2021	FY2022
<i>Number of contracts/confirmed purchase orders</i>			
Total number of outstanding contracts/confirmed purchase orders as at the beginning of the year	46	34	57
Add: number of new contracts/confirmed purchase orders commenced during the year	87	79	61
Less: number of contracts/confirmed purchase orders completed during the year	<u>99</u>	<u>56</u>	<u>91</u>
Total number of outstanding contracts/confirmed purchase orders as at the end of the year	<u><u>34</u></u>	<u><u>57</u></u>	<u><u>27</u></u>
	FY2020	FY2021	FY2022
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
<i>Outstanding contract/confirmed purchase order amounts</i>			
Total outstanding contract/confirmed purchase order amounts as at the beginning of the year	218,704	121,402	488,563
Add: amounts of new contracts/confirmed purchase orders commenced during the year	208,586	639,885	197,307
Less: revenue recognised for the year	<u>305,888</u>	<u>272,724</u>	<u>459,623</u>
Total outstanding contract/confirmed purchase order amounts as at the end of the year	<u><u>121,402</u></u>	<u><u>488,563</u></u>	<u><u>226,247</u></u> <i>(Note)</i>

The number of outstanding contracts/confirmed purchase orders decreased from 57 as at 31 December 2021 to 27 as at 31 December 2022 mainly due to the impact of the outbreak of COVID-19 in Shanghai in early 2022. The average amount of outstanding contracts/confirmed purchase orders remained stable at RMB8.6 million as at 31 December 2021 and RMB8.4 million as at 31 December 2022. As of the Latest Practicable Date, we had outstanding contract/confirmed purchase order amounts of RMB549.6 million *(Note)*, among which RMB267.0 million is expected to be recognised as revenue for the year ending 31 December 2023.

Note:

The outstanding contract/confirmed purchase order amounts as of 31 December 2022 and as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts/confirmed purchase orders are to be performed in accordance with its terms as of 31 December 2022 and the Latest Practicable Date, respectively, for the remaining contract durations.

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The following table sets out the top 10 contracts of customised marketing solution in terms of aggregate revenue recognised throughout the Track Record Period:

Rank	Customer	Contract duration	Scope of services	Charging bases	FY2020 RMB'000	Revenue FY2021 RMB'000	FY2022 RMB'000	Aggregate revenue recognised throughout the Track Record Period 2023 RMB'000	Outstanding contract/ confirmed purchase order amounts as of the Latest Practicable Date expected to be recognised as revenue for the year ending 31 December 2023 RMB'000	Contract status as of the Latest Practicable Date	Contract margin Gross profit (Note 6) %
1	Customer D (Note 1)	2021/10/1– 2023/2/1 (Note 9)	Raise brand awareness and promote products at designated offline retail stores	Fixed service fees	—	—	164,951	164,951	—	Completed	2.0% (Note 7)
2	Customer B (Note 2)	2021/1/1– 2022/6/30	Sales and marketing services	Fixed and floating service fees	—	59,950	28,765	88,715	—	Completed	37.1%
3	Customer B (Note 2)	2019/4/1– 2020/6/30	Sales and marketing services	Fixed and floating service fees	60,738	—	—	60,738	—	Completed	32.3%
4	Customer B (Note 2)	2021/7/1– 2022/6/30	Sales and marketing services	Fixed and floating service fees	—	24,651	35,499	60,151	—	Completed	32.6%
5	Customer B (Note 2)	2019/10/1– 2020/6/30	Sales and marketing services	Fixed and floating service fees	45,395	—	—	45,395	—	Completed	37.1%
6	Customer B (Note 2)	2020/7/1– 2021/6/30	Sales and marketing services	Fixed and floating service fees	6,816	37,720	—	44,535	—	Completed	32.5%
7	Customer A (Note 3)	2022/6/1– 2023/3/31	Marketing and promotion services in designated stores	Fixed and floating service fees	—	—	41,264	41,264	—	Completed	14.1% (Note 7)
8	Customer B (Note 2)	2022/8/1– 2023/6/30	Sales and marketing services	Fixed and floating service fees	—	—	35,002	35,002	1,680	Ongoing	38.6% (Note 8)
9	Customer A (Note 3)	2020/4/1– 2022/3/31	Marketing and promotion services in designated stores	Fixed and floating service fees	9,697	18,539	6,665	34,901	—	Completed	45.0% (Note 8)
10	Customer G (Note 4)	2022/10/1– 2024/9/30	Marketing and event implementation services	Fixed and floating service fees	—	—	26,392	26,392	74,511	Ongoing	3.0% (Note 7)

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Notes:

- 1 Customer D is a group of PRC entities primarily engaging in the sales of infant products (including toys and dairy products). The parent company of Customer D is a subsidiary of an Asia-Pacific-based global investment firm based in PRC.
- 2 Customer B is a group of PRC entities primarily engaging in sales of daily commodities (including personal health care, oral care, textile care and home care). The parent company of Customer B is a global leader in the FMCG industry focused on providing branded consumer packaged goods in approximately 180 countries and territories through online and offline channels. The shares of the parent company of Customer B are listed on the New York Stock Exchange with a net sale of around USD71.0 billion, USD76.1 billion and USD80.2 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD359.2 billion as at 31 December 2022.
- 3 Customer A is a private PRC entity primarily engaging in sales of food products. It had a registered capital of USD91.5 million. The parent company of Customer A is a FMCG multinational corporation and the world's leading manufacturer of chocolate, chewing gum, mints and fruity confections. Such corporation specialises in the production confectionery, pet food and other food products.
- 4 Customer G is a PRC entity primarily engaging in the sales of daily commodities, focusing on products mostly made from natural or synthetic fibres using technologies in fibres, non-wovens and absorbency. The parent company of Customer G is a FMCG multinational corporation, which is a global leader in indispensable daily commodities (including personal health care products, household paper and consumer products) in more than 175 countries. The shares of the parent company of Customer G are listed on the New York Stock Exchange with a net sales of around USD19.1 billion, USD19.4 billion and USD20.2 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD45.8 billion as at 31 December 2022.
- 5 The outstanding contract/confirmed purchase order amounts as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts/confirmed purchase orders are to be performed in accordance with its terms as of the Latest Practicable Date for the remaining durations of the year ending 31 December 2023.
- 6 Gross profit margin represents overall gross profit margin for the particular contract for the contract duration.
- 7 Since China's FMCG market was significantly affected by the COVID-19 since 2020, we believed this customer had changed its sales and marketing strategies in order to improve its sales performance under the difficult offline retail market situation and economic downturn, and thus, after discussed with us, adopted a more direct and higher extent of involvement in the implementation of their on-site sales and marketing activities under our customised marketing solution, including management and supervision of the marketers on behalf of them, rather than simply assigning employee marketers to them. Accordingly, the employee benefit expenses in relation to these marketers were recorded in full in our cost of services and thus, this project recorded a relatively lower gross profit margin.
- 8 These contracts had a relatively higher gross profit margin, mainly because these contracts involved in-store sales and marketing activities which generally involved less event consumables and operating cost.
- 9 As of the Latest Practicable Date, this contract was terminated by Customer D and us through a new contract entered into between Customer D and us with effect from 1 February 2023.

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Fee model

In general, we charge fixed service fees based on a cost-plus approach with reference to cost and expenses expected to be incurred. Our cost and expenses under customised marketing solution mainly include labour service fees (primarily representing service fees paid to third-party marketers involved in the projects which are calculated by multiplying a fixed base fee by the total number of marketers per event), event consumables (such as costs of promotional materials, charges for venue and facilities, etc.) and employee benefit expenses (primarily representing salaries of employee marketers). In certain cases, we may adopt a maximum cap for our fixed fees and thus, we are subject to the risks in relation to any unexpected and extra cost and expenses incurred. Also, there are a few cases under which we are entitled to performance-based floating fees, mainly calculated with reference to sales performance.

In certain cases, if we could not achieve performance indicators (such as marketers attendance rates or recruitment rates) as set out in the service agreements, our customers can deduct the agreed fixed service fees. During the Track Record Period, we did not experience any material deduction of services fees by our customers for customised marketing solution. For each year of the Track Record Period, fee deduction under our customised marketing solution as the result of our failure to achieve performance indicators amounted to RMB3.0 million, RMB2.9 million and RMB2.5 million, respectively. During each year of the Track Record Period, average revenue from customised marketing solution (in terms of contracts/confirmed purchase orders completed during the year) amounted to RMB3.1 million, RMB4.9 million and RMB6.0 million, respectively.

During the Track Record Period, we undertook one loss-making customised marketing solution project under which we were responsible for assisting our customer to promote the specified candy products and managing sales and inventory control of such candy products for a term from January 2018 to December 2020. In order to implement this project, we were required to purchase candy products before promoting and managing sales of such specified candy products in the market. In respect to this loss-making project, we recognised revenue of RMB2.7 million and gross loss of RMB1.6 million for FY2020. The reason for such loss-making project was mainly due to inefficient project control which led to impairment losses on such candy products. This was mainly because inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and the net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. A provision for impairment of inventories is made for inventories which costs are higher than their net realisable value. Our Directors consider that such loss-making project was an one-off isolated incident as it only contributed 0.6% of our total revenue for FY2020, respectively, and the gross loss recognised as a result of this project did not have any material impact on our operations and financial performance. During the Track Record Period, save for the aforementioned customised marketing solution project, we had no other loss-making customised marketing solution project. During the Track Record Period, other than the above-mentioned loss-making customised marketing solution project, the Group did not undertake any other projects under which it would be required to purchase inventories with similar arrangement.

In order to minimise our exposure to loss-making projects, we have adopted internal control measures and business strategies, including regularly monitoring customer accounts, improving our pricing strategy and closely monitor cost incurred by us. For details, see “Business — Our sales and marketing — Pricing measures and strategies”.

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Payment and billing arrangement

Customised marketing solution is charged on project basis. Depending on the nature of projects, we generally bill our customers after project completion or based on project milestone. During the Track Record Period, we granted credit terms of 6–186 days to our customised marketing solution customers.

Representative Projects

Below are some of the representative customised marketing solution projects undertaken by us during the Track Record Period:

- (i) Providing an integrated management system

Customer category	FMCG brand owner primarily engages in daily commodities
Implementation period	January 2021 to December 2021
Project fee	Around RMB52.0 million
Customer’s requirements/ our responsibilities	<ul style="list-style-type: none">• Customer wanted to implement sales and marketing activities in the offline retail stores designated by Customer, with a view to improving sales of those offline retail stores.• Customer wanted us to provide a system which can connect with its own internal IT system and use such system to collect sales data for the calculation of performance-based remuneration of marketers; meanwhile, such system helped refine the management of retail process, tasks for marketers and service fees of marketers.

Our major work steps *Implementation of sales and marketing activities*

- (1) First, Customer provided a list of offline retail stores which require our services. Based on such list, we set up promotional booth or counters or materials (e.g. posters, banners and tags) at the designated offline retail stores and engaged necessary and suitable marketers by publishing tasks to *MiJob Square*. Main duties of marketers were sales promotion and management of appropriate merchandise display and maintenance of promotional material set up at the designated offline retail stores. We used *Remotes* to publish tasks, while marketers used *MiJob Square* to apply for tasks. Afterwards, we reviewed and approved their application. Approved marketers received confirmation notification on *MiJob Square*.

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- (2) We were responsible for managing the assessment system of marketers. As such, we provided online and offline trainings to marketers to ensure the services provided by them met the Customers’ requirements.
- (3) During implementation of the project, marketers were required to report their attendance and task completion using *MiJob Square*. We processed such data to generate monthly analysis reports, which contain recruitment rates and attendance rates of marketers and sales performance of offline retail stores, and delivered such reports to Customer.

Connecting with Customer’s internal IT system

- (1) First, Customer provided all information about their system connectors in relation to their internal IT system.
- (2) Then, we linked our FMES platform with Customers’ internal IT system through system connectors provided by Customer.
- (3) After the connection, data necessary for the calculation of marketers’ performance-based remuneration were pushed and transmitted from our FMES platform to Customers’ internal IT system through system connectors provided by Customer. These data were input by marketers using *MiJob Square* during their on-site implementation.

Stakeholders involved

Customer — Brand owner

Marketers — Around 12,000 marketers

Points of sale — Over 4,300 offline retail stores from 67 cities spreading across 20 provinces/municipalities in mainland China

Digitalised tools involved and their major application

- ***Remotes*** — Tasks were published using *Remotes* and the published tasks would reach marketers on *MiJob Square*. Customer could also initiate, update and manage the sales and marketing project in real time through *Remotes*. We, as the project manager, monitored the implementation of the activities by analysing data processed through *Remotes*.
- ***MiJob Square*** — Marketers received and applied for tasks through *MiJob Square* and were required to report attendance and revert task completion and other feedback using *MiJob Square*.

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Achievements and assessment

- Our performance was assessed by key performance indicators stated in the service agreement, which included recruitment and attendance rate of marketers and sales performance of offline retail stores. For the second half of 2021, we achieved (i) recruitment rate of marketers of 97%–99%, as compared with Customer’s minimum requirement of 95%; and (ii) attendance rate of marketers of 98%–99%, as compared with Customer’s minimum requirement of 95%. In addition, over half of sales and marketing activities successfully improved sales performance of offline retail stores, as compared with the usual daily average sales performance of these offline retail stores.
- Owing to adequate marketers and offline retail stores, we facilitated Customer’s completion of over 287,000 sales and marketing activities in the project.
- All project data was directly pushed and transmitted from our FMES platform to the internal IT system of Customer, which enabled the connection and integration of Customer’s system with data of offline retail stores and marketers and simplified the project settlement process

(ii) Outdoor sales and marketing activities using caravan

Customer category

FMCG brand owner primarily engages in food products and beverage

Implementation period

September to December 2021

Project fee

Around RMB6.9 million

**Customer’s requirements/
our responsibilities**

- Customer wanted to organise sales and marketing activities using a series of different digitalised tools, a caravan and red pockets to enhance consumer interactions and brand popularity.
- We were responsible for organising and implementing the said sales and marketing activities, including planning the schedule and route for activity and providing technology support in relation to our digitalised tools.

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Our major work steps

- (1) First, Customer provided a list of cities/towns which require our sales and marketing services. Based on such list, we planned the schedule and routes for all activities, hired the caravan, arranged decoration of the caravan, set up a performance stage and sourced all necessary event materials. We also arranged a promotional video to be published on the Internet before the commencement of the event. We were also responsible for purchasing necessary insurance as stated in the service agreement.
- (2) Also, we were responsible for engaging necessary and suitable marketers by publishing tasks to *MiJob Square*. Main duties of marketers included on-site implementation of the roadshow (such as setting up the venue, distributing gifts to guests and engaging guests to play minigames in *Lucky Radar*). We used *Remotes* to publish tasks, while marketers used *MiJob Square* to apply for tasks. Afterwards, we reviewed and approved their applications. Approved marketers received confirmation notifications on *MiJob Square*. We then provided training for approved marketers prior to the events.
- (3) During implementation of the project, marketers facilitated the on-site implementation, while we, as the project manager, oversaw the event using *Remotes* to ensure smooth implementation of the event. We were also required to arrange a promotional video to be published on the Internet within two days after the end of each event.
- (4) Marketers are required to report their attendance and task completion using *MiJob Square*. Such data were transmitted to our FMES platform for our further processing. We were required to provide Customer with weekly progress reports, including sales performance of offline retail stores, completion rate of event, guest participation rate and Internet publication rate.

Stakeholders involved

- Customer* — Brand owner
- Marketers* — Around 43,000 marketers manshifts
- Points of sale* — 80 offline retail stores in 60 cities and towns in the PRC
- Consumers* — Over 2,000 guests

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- Digitalised tools involved and their application**

 - *Remotes* — Tasks were published using *Remotes* and the published tasks would reach marketers on *MiJob Square*. Customer could also initiate, update and manage the sales and marketing project in real time through *Remotes*. We, as the project manager, monitored the implementation of the activities by analysing data processed through *Remotes*.
 - *MiJob Square* — Marketers received and applied for tasks through *MiJob Square* and were required to report attendance and revert task completion and other feedback using *MiJob Square*.
 - *Lucky Radar* — Guests of the activities played mini-games on *Lucky Radar* and obtained discount coupons for their purchases at the offline retail stores.

- Achievements and assessment**

 - Our service fees for this project were calculated with reference to the number of events held. Our performance was assessed by key performance indicators stated in the service agreement, which included pre-event cooperation, implementation and production of event and marketers performance. If we failed to achieve a minimal level of the performance indicators, Customer was entitled not to pay for the service fees for particular events. During the project period, all events were held successfully and Customer did not deduct any of our service fees for this project.
 - Marketers receive tasks containing specific requirements via our digitalised tool, while at the same time, back-office staff of Customer could publish tasks and receive activity data information for further analyses via our digitalised tool.

(iii) In-store traffic flow management and promotion activity

Customer category	Brand owner primarily engages in consumer electronics
Implementation period	January 2022 to May 2022
Project fee	Around RMB4.0 million
Customer’s requirements/ our responsibilities	Customer wanted to (i) manage traffic flow at peak hours of offline retail stores, such as welcoming incoming consumers and processing consumers’ enquiries and requests in relation to products; and (ii) assist in the maintenance of promotional materials (e.g. posters, banners and festive decorations) and store activities to enhance store services, such as outreach publicity and event maintenance

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- Our major work steps**
- (1) We designed and recommended schedules. Based on the implementation plan approved by Customer, we engaged necessary and suitable marketers by publishing tasks to *MiJob Square*. Main duties of marketers were assisting the offline retail stores to carry out product introduction, event promotion and sales. We used *Remotes* to publish tasks, while marketers used *MiJob Square* to apply for tasks. Afterwards, we reviewed and approved their application. Approved marketers received confirmation notifications on *MiJob Square*. We provided online and offline trainings and quizzes to marketers to ensure the services provided by them met the Customers’ requirements.
 - (2) During implementation of the project, marketers were required to report their attendance and task completion using *MiJob Square*. We processed such data to generate reports on overall performance and delivered such reports to Customer.

Stakeholders involved

Customer — Brand owner

Marketers — Over 7,200 marketers manshifts per promotion activity

Points of sale — Over 4,500 offline retail stores in over 300 cities across 31 provinces/municipalities in the PRC

- Digitalised tools involved and their application**
- *Remotes* — Tasks were published using *Remotes* and the published tasks would reach marketers on *MiJob Square*. Customer could also initiate, update and manage the sales and marketing project in real time through *Remotes*. We, as the project manager, monitored the implementation of the activities by analysing data processed through *Remotes*.
 - *MiJob Square* — Marketers received and applied for tasks through *MiJob Square* and were required to report attendance and revert task completion and other feedback using *MiJob Square*.

- Achievements and assessment**
- Our service fees for this project were calculated with reference to number of events held or marketers involved. During the project period, we held over 19,000 events. There was no performance indicator stated in the service agreement.
 - Using our digitalised tool, Customer and us can monitor and supervise the recruitment, training and attendance of marketers and implementation of the on-site sales and marketing activities.

BUSINESS

Tasks and marketers matching service

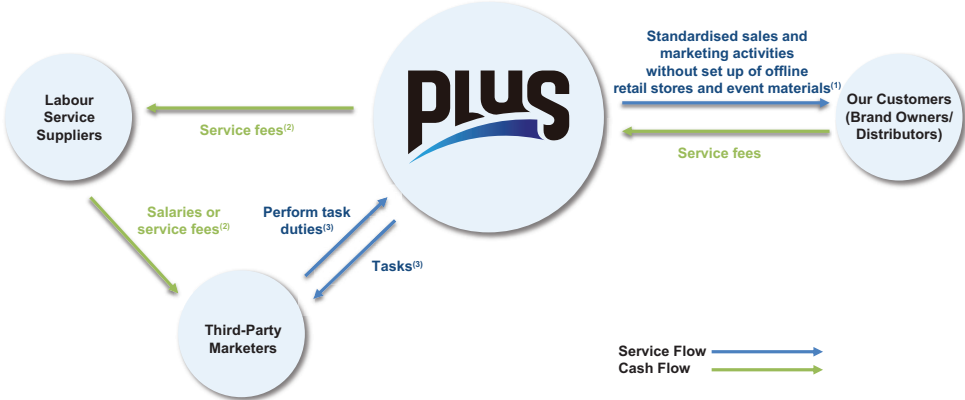
Overview

Tasks and marketers matching service, accounted for 7.7%, 14.2% and 13.3% of our total revenue during each year of the Track Record Period. We formulate and implement standardised sales and marketing activities for our customers’ merchandise at offline retail stores with a view to enhancing our customers’ sales performance. In particular, our customers’ marketing tasks are published via our digitalised tool, namely *Touchkit*. We analyse historical task performance of marketers to identify their strengths and characteristics. With such analysis, we provide matching recommendation on tasks and suitable marketers. Also, with the aim of achieving our customers’ performance targets, we regularly evaluate the impact of our services on sales performance. Typical examples of standardised sales and marketing activities include promotional booth at offline retail stores and in-store merchandise display.

Revenue from tasks and marketers matching service is recognised over time as the customers simultaneously receive and consume the benefits provided by our performance. Revenue for tasks and marketers matching service is recognised on a gross basis over time while the contract costs to fulfil a contract, such as operating cost and labour costs are recognised as cost of services. See Notes 2.22 and 4(a) to the Accountant’s Report in Appendix I to this document for further details on significant accounting policies regarding revenue recognition and critical accounting estimates and judgements in relation to revenue recognition.

Business model and process

The following diagram illustrates the business model of our tasks and marketers matching service:



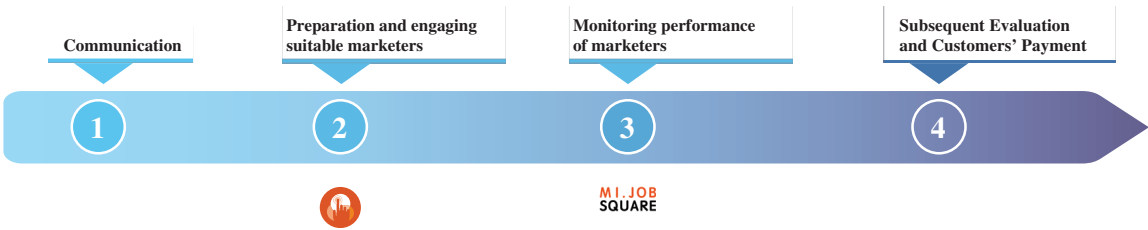
BUSINESS

Notes:

1. We formulate and implement standardised sales and marketing activities for our customers’ merchandise at offline retail stores with a view to enhancing our customers’ sales performance. In particular, our customers’ marketing tasks are published via our digitalised tool, namely *Touchkit*. We analyse historical task performance of marketers to identify their strengths and characteristics. With such analysis, we provide matching recommendation on tasks and suitable marketers. Also, with the aim to achieving our customers’ performance targets, we regularly evaluate the impact of our services on sales performance.
2. Major suppliers of tasks and marketers matching service include labour service suppliers. Remuneration of third-party marketers engaged by the Group varies for different tasks, which generally includes a combination of fixed fees, which are calculated based on their actual attendance, and performance-based commissions, which are typically calculated based on stipulated performance indicators, such as sales performance of the offline retail store or sales amount of a particular merchandise. We do not directly pay third-party marketers. Instead, we enter into service contract with labour service suppliers and pay them service fees, which in turn make payments of salaries/service fees to third-party marketers. Further details on labour service suppliers, see “Our service network and marketers” in this section.
3. Our tasks and marketers matching service requires on-site implementation by third-party marketers. Third-party marketers are supplied by our labour service suppliers. Since third-party marketers do not have any employment or contractual relationship with us, they can flexibly cope with our customers’ ad-hoc service demands. In order to efficiently manage third-party marketers, we use a task-based management system. Tasks are published using *Touchkit* and marketers can access a list of available tasks and apply for any suitable tasks using *MiJob Square*. Typical examples of tasks and marketers matching service task include in-store merchandise display and sales and promotion of customers’ merchandise.

We procure tasks and marketers matching service projects generally through quotation invitations or competitive tender from existing and potential customers or as a result of our proactive communication with our existing and potential customers. For further details on the tendering process, see “Our sales and marketing” in this section.

We act as adviser, organiser and project manager of the tasks and marketers matching service and system operator of our digitalised tools. The below flowchart summarises the major business process of our tasks and marketers matching service:



1. Communication with customers and giving necessary advices

We communicate with our customers on their requests and needs, in particular their specific sales target(s) (or other performance indicator(s)) and budget for achieving such target(s). Based on the customer’s expectation and budget and using our digitalised tools and data assets accumulated over the years, we formulate an implementation plan, which includes dates and duration of the events, coverage of offline retail stores and sales goals. The implementation plan would continue to be revised according to our customers’ requests until it is approved by our customers;

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2. *Preparation and engaging suitable marketers*

We use *Touchkit* to publish marketing tasks based on the approved implementation plan. Tasks include event information such as duration and frequency, location, detailed description of duties, amount and calculation method of remuneration and other important notes. Typical examples of tasks include in-store merchandise display and sales and promotion of customers’ merchandise. Marketers apply for the tasks via *MiJob Square* and we review and approve their application. We are also responsible for ensuring the recruitment rates of offline retail stores. We may provide online and/or offline trainings and follow-up quizzes to approved marketers, so that they could have a better picture on how to satisfactorily fulfil their task duties and our customers’ expectations;

Touchkit applies big data and AI technologies in analysing historical performance of marketers and generating matching recommendations of these marketers with tasks. Such historical performance includes attendance records, task completion, appraisal and performance review of marketers, which is retained as data assets and tagged to each and every marketer. Using such matching recommendations, we can enhance our ability in achieving better results (such as sales amount). To further explain, even if a particular marketer is good at achieving sales at a high-end shopping mall, he/she might not be good at arranging display of merchandise at a local convenience shop. This is because different tasks at offline retail stores in different areas which may have different target consumer groups, consumers’ behaviour and preference or merchandise variety require marketers with different backgrounds, experiences and skill sets. In order to increase the accuracy in matching marketers with a particular task (which stipulates the scope of tasks, merchandise and designated offline retail stores), we use digitalised tools to collect, process and analyse data from marketers and verify such data, and then retain as data assets.

3. *Monitoring performance of marketers*

We normally position ourselves as the project manager of our customers to supervise and monitor implementation of the plan. Approved marketers execute the required task duties and thus, facilitate us to implement tasks and marketers matching service projects. In addition to overseeing the attendance of marketers, we are also responsible for ensuring sales performance of offline retail stores can meet the minimum requirements as set by our customers. Marketers use *MiJob Square* to report their execution status and such data includes their attendance records, task completion, appraisal and performance. Based on data collected using our digitalised tool, we regularly evaluate the impact of our services on sales performance with the aim of achieving sales target(s) (or other performance indicator(s)). For example, if the sales performance (or other performance indicator) falls short of our customers’ requirements, we could proactively publish add-on tasks to marketers who have already accepted tasks in relation to those particular offline retail stores, or adjust the deployment of marketers after considering the intelligent matching recommendations of marketers with tasks; and

4. *Ongoing reporting, evaluation and customer’s payment*

Data collected are retained as data assets. In order to ensure smooth implementation, our business team generally create instant message groups to timely monitor and follow up on the progress. Also, we may evaluate and provide feedbacks to our customers on the effectiveness of our services. In general, we produce analysis reports based on the data assets and provide such reports to our customers on weekly to monthly basis. We issue our invoice based on the service agreement for our customer’s settlement.

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Third-party marketers

During the Track Record Period, we engaged third-party marketers for the implementation of our tasks and marketers matching service. Third-party marketers refer to marketers that do not have any employment or contractual relationship with us. We enter into service agreements with labour service suppliers, who engage marketers as their employees or contractors. Marketers who register through *MiJob Square* will be referred to these labour service suppliers for engagement. We do not directly pay third-party marketers. Instead, we enter into service contracts with labour service suppliers and pay them service fees, which in turn make payments of salaries/service fees to third-party marketers. Since third-party marketers do not have any employment relationship with us, they can choose whether or not to apply for tasks published on our platform. However, third-party marketers are required to abide by service standards as stated in the tasks once they have accepted the same. Our third-party marketers allow us to flexibly cope with our customers’ ad-hoc service demands. For further details, see “Our service network and marketers” in this section.

Number of customers

The following table sets out number of our customers who engaged us for tasks and marketers matching service for the years indicated:

	FY2020	FY2021	FY2022
<i>Number of:</i>			
— New customers	10	9	23
— Repeating customers	5	10	15
Customer retention rate ^(Note)	50.0%	66.7%	78.9%

Note: The customer retention rate for a given year is calculated by dividing (i) the number of customers in the previous year who remain as our customers in the current year by (ii) the total number of customers in the previous year.

Number of customers who engaged us for tasks and marketers matching service increased from 15 for FY2020 to 19 for FY2021, mainly because some of our customised marketing solution customers decided to switch to our tasks and marketers matching service which was in line with our business strategy to promote such service and to cater changes in sales and marketing strategies of our customers from time to time in response to the prevailing changes in their industry. Meanwhile, average revenue per customer increased from RMB2.1 million for FY2020 to RMB3.1 million for FY2021, which was generally in line with our business strategy to divert more resources and effort in promoting and developing tasks and marketers matching service as one of our key service types. Number of customers who engaged us for tasks and marketers matching service increased from 19 for FY2021 to 38 for FY2022, while average revenue per customer decreased slightly from RMB3.1 million for FY2021 to RMB2.2 million for FY2022, mainly because we primarily procured new tasks and marketers matching service customers who are relatively small-scale brand owners and distributors and had relatively less budgets for sales and marketing.

During the Track Record Period, we had customers which engaged us for more than one service types and/or changed the service type or combination of service types from time to time. In particular our cross-selling of customised marketing solution and tasks and marketers matching service is mainly because our customers may have different sales and marketing initiatives for different offline retail stores. For example, our customers may engage us for customised marketing solution for implementing customised sales and marketing activities to promote brand awareness of new products. Our customised marketing solution is characterised by our capability to implement customised sales and marketing activities, which may involve various event consumable suppliers and require lots of marketers to attend to on-site

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implementation. On the other hand, customers may engage us for tasks and marketers matching service to drive sales with standardised sales and marketing activities. Our tasks and marketers matching service is characterised by our capability to select suitable marketers to help improve sales performance of designated offline retail stores.

Backlog of our projects during the Track Record Period

Backlog, with respect our tasks and marketers matching service, refers to our estimate of number of outstanding contracts to be performed upon receiving our customers’ instructions, the service terms of which had not expired as at the end of the indicated period, and the corresponding amounts of revenue to be recognised pursuant to such contracts. Such estimate is based on the best knowledge, information and belief of our Directors as at the Latest Practicable Date.

The following table sets out a rolling backlog of our tasks and marketers matching service:

	FY2020	FY2021	FY2022
<i>Number of contracts</i>			
Total number of outstanding contracts as at the beginning of the year	9	8	24
Add: number of new contracts commenced during the year	8	22	12
Less: number of contracts completed during the year	9	6	5
Total number of outstanding contracts as at the end of the year	8	24	31
	FY2020	FY2021	FY2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Outstanding contract amounts</i>			
Total outstanding contract amounts as at the beginning of the year	31,403	10,688	10,353
Add: amounts of new contracts commenced during the year	11,411	58,903	73,073
Less: revenue recognised for the year	32,127	59,238	82,062
Total outstanding contract amounts as at the end of the year	10,688	10,353	1,363 <i>(Note)</i>

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The number of outstanding contracts/confirmed purchase orders increased from 24 at 31 December 2021 to 31 as at 31 December 2022. Due to impact of the outbreak of COVID-19 in Shanghai in early 2022, among the outstanding contracts/confirmed purchase orders as at 31 December 2021, five customers had two or more tasks and marketers matching service contracts for FY2021, whereas among the outstanding contracts/confirmed purchase orders as at 31 December 2022, only four customers had two or more tasks and marketers matching service contracts for FY2022. The average amount of outstanding contracts/confirmed purchase orders decreased significantly from RMB0.4 million at 31 December 2021 to RMB0.04 million as at 31 December 2022, mainly because for the above calculation basis for prudence sake, outstanding contract amounts as of 31 December 2022 only included our fixed service fees that we expect to receive, while outstanding contract amounts as of 31 December 2021 included amounts of fixed service fees and performance-based fees. As of the Latest Practicable Date, we had outstanding contract amounts of RMB840,090 ^(Note), all of which is expected to be recognised as revenue for the year ending 31 December 2023.

Note:

The outstanding contract amounts as of 31 December 2022 and as of the Latest Practicable Date represent the amounts of fixed service fees that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts are to be performed in accordance with its terms as of 31 December 2022 and the Latest Practicable Date, respectively, for the remaining contract durations.

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The following table sets out the top 10 contracts of tasks and marketers matching service in terms of aggregate revenue recognised throughout the Track Record Period:

Rank	Customer	Contract duration	Scope of services	Charging bases	Revenue		Aggregate revenue recognised throughout the Track Record Period	Aggregate revenue expected to be recognised for the year ending 31 December 2023	Outstanding contract amounts as of the Latest Practicable Date	Contract status as of the Latest Practicable Date	Contract gross profit margin
					FY2020 RMB '000	FY2021 RMB '000					
1	Customer G (Note 1)	2021/1/1– 2021/12/31	Sales and promotion services	Fixed and floating service fees	—	24,709	24,709	—	—	28.2%	Completed
2	Customer G (Note 1)	2022/1/1– 2022/12/31	Sales and marketing services	Fixed and floating service fees	—	—	20,928	—	—	21.8% (Note 10)	Completed
3	Customer F (Note 2)	2022/4/1– 2023/3/31	Arrangement and hosting of promotional sales and marketing events	Fixed and floating service fees	—	—	13,748	—	—	31.8%	Completed
4	Note 3	2022/8/1– 2023/7/31	Sales and promotion services	Fixed and floating service fees	—	—	12,189	—	—	15.4% (Note 11)	Ongoing
5	Customer G (Note 1)	2019/9/1– 2020/12/31	Sales and promotion services	Fixed and floating service fees	10,189	—	10,189	—	—	29.6%	Completed
6	Note 4	2019/8/1– 2021/7/31	Long term promotion services	Fixed and floating service fees	5,371	3,178	—	8,549	—	33.6%	Completed
7	Note 5	2021/7/1– 2023/6/30	Sales and promotion services	Fixed and floating service fees	—	2,215	5,691	—	—	25.2%	Ongoing
8	Note 4	2019/8/1– 2021/7/31	Long term promotion services	Fixed and floating service fees	2,979	3,911	—	6,890	—	33.9%	Completed
9	Note 4	2021/8/1– 2022/7/31	Sales and marketing services	Fixed and floating service fees	—	—	6,519	—	—	28.0%	Completed
10	Note 6	2021/1/1– 2021/12/31	Sales and promotion services	Fixed and floating service fees	—	—	6,352	—	—	37.0%	Completed

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Notes:

- 1 Customer G is a PRC entity primarily engaging in the sales of daily commodities, focusing on products mostly made from natural or synthetic fibres using technologies in fibres, non-wovens and absorbency. The parent company of Customer G is a FMCG multinational corporation, which is a global leader in indispensable daily commodities (including personal health care products, household paper and consumer products) in more than 175 countries. The shares of the parent company of Customer G are listed on the New York Stock Exchange with a net sales of around USD19.1 billion, USD19.4 billion and USD20.2 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD45.8 billion as at 31 December 2022.
- 2 Customer F is a group of PRC entities primarily engaging in the sales of daily commodities and food products. The parent company of Customer F is a FMCG multinational corporation having over 400 brands in 190 countries. Its daily commodities and food products are categorised into (i) beauty & personal care (which primarily included sales of skin cleansing, hair care, skin care and deodorants categories); (ii) foods & refreshment (which primarily included sales of ice cream, savoury, dressings and tea categories); and (iii) home care (which primarily included sales of fabric category and a wide range of cleaning products). The shares of the parent company of Customer F are listed on the London Stock Exchange with a turnover of around EUR50.7 billion, EUR52.4 billion and EUR60.1 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD129.0 billion as at 31 December 2022.
- 3 Group of PRC entities primarily engage in the sales of dairy products and are distributors of a multinational corporation, the shares of which are listed on New Zealand Stock Exchange.
- 4 PRC entity primarily engages in pharmaceuticals products and is a subsidiary of a multinational corporation, the shares of which are listed on New York Stock Exchange.
- 5 PRC entities primarily engage in food products and are subsidiaries of a food and beverage multinational products corporation.
- 6 PRC entity primarily engages in dairy products (including infant formula milk powder), food, health care products, etc.
- 7 The outstanding contract amounts as of the Latest Practicable Date represent the amounts of fixed service fees that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts are to be performed in accordance with its terms as of the Latest Practicable Date for the remaining durations of the year ending 31 December 2023.
- 8 Gross profit margin represents overall gross profit margin for the particular contract for the contract duration.
- 9 For the analysis of outstanding contract amounts as of the Latest Practicable Date, for prudence sake, we only consider fixed service fees that we expect to receive under this contract. Since this contract did not specify the number of offline retail stores/manshift which require our services, the outstanding contract amounts as of the Latest Practicable Date expected to be recognised as revenue for the year ending 31 December 2023 under this contract was presumed to be zero.
- 10 This contract had a relatively lower gross profit margin, mainly because having considered (i) Customer G was one of the most important customers under tasks and marketers matching service; and (ii) the relatively long business relationship between the Group and Customer G since 2016 and with a view to procuring more business from Customer G, we offered a more competitive price.
- 11 This contract had a relatively lower gross profit margin, mainly because having considered the rate of increase in revenue from this customer during the Track Record Period, we offered a more competitive pricing. The floating fees income of this contract was calculated by multiplying a stipulated fixed rate and sales volume, regardless of sales amount.

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Fee model

We generally charge our customers (i) performance-based floating fees; and/or (ii) fixed fees including service and/or system fees. During each year of the Track Record Period, average revenue from tasks and marketers matching service (in terms of contracts completed during the year) amounted to RMB3.6 million, RMB9.9 million and RMB16.4 million, respectively.

Our performance-based floating fees are calculated based on the results of the performance indicators stipulated in the service contracts. In general, level of achievement of targeted sales amount is used as performance indicator and our floating fees are calculated using a tiered commission structure. Under one example of our tasks and marketers matching service, we charged a fixed fee based on number of marketers involved and a floating fee based on the actual sales amounts of the offline retail stores using a tiered commission structure. Such floating fee is calculated in the following manner: (i) RMB0 if the actual sales amount is less than 80% of the targeted sales amount; (ii) 1% of the actual sales amount, if the actual sales amount is less than 100% but more than 80% of the targeted sales amount; (iii) 2.5% of the actual sales amount, if the actual sales amount is less than 130% but more than 100% of the targeted sales amount; and (iv) 4% of the actual sales amount, if the actual sales amount is more than 130% of the targeted sales amount, which is capped at a designated maximum floating fee. Despite the economic downturn and on-and-off temporary disruptions caused by COVID-19, our tasks and marketers matching service, which has adopted “performance-based” fee model, was still able to sustain strong growth momentum and achieved an increase in gross profit during the Track Record Period. We believe that it was mainly because our customers are more cost-conscious and more willing to pay for services that charge based on the results of the services.

Under the “performance-based” fee model of tasks and marketers matching service, if the performance of the marketers could not meet the performance indicators (such as sales amounts of the offline retail stores or number of completed tasks) as set out in the service agreements entered into between us and our customers, we can only generate a minimal amount of revenue based on the fixed service fees. For details of the risks associated with the “performance-based” fee model of tasks and marketers matching service, see “Risk Factors — Our financial results of tasks and marketers matching service depend on, among others, performance of marketers which can be adversely affected by a number of factors, some of which may be beyond our control.”. In order to minimise our exposure to the risks associated with the “performance-based” fee model of tasks and marketers matching service, we have adopted the following measures:

- (i) marketers are chosen with reference to matching recommendations of marketers with tasks generated by our digitalised tool using AI algorithm which analysed data assets (including performance of a marketer at a particular offline retail store) accumulated from our provision of services over the years; and
- (ii) we collect data on sales performance of the offline retail stores and based on the data collected, we continuously monitor whether our customers’ sales target(s) (or other performance indicator(s)) could be achieved. In case the sales performance (or other performance indicators) falls short of our customers’ expectations, we could proactively adjust the allocation of marketers with the aim to achieving the sales target(s) (or other performance indicator(s)) before the end of the contract/project terms.

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Despite the fluctuation in the gross profit margin of our tasks and marketers matching service for the Track Record Period, having considered (i) floating fees income accounted for a majority of our revenue from tasks and marketers matching service; (ii) the rate of increase in our revenue from tasks and marketers matching service outpaced the rate of increase in market size of China’s retail sales and marketing services market; and (iii) we were able to enhance gross profit using the “performance-based” fee model during the Track Record Period, our Directors consider our abovementioned measures have been effective in mitigating our exposure to the risks associated with the “performance-based” fee model and can effectively maintain or increase the gross profit margin of our tasks and marketers matching service in the long run.

During the Track Record Period, we undertook one loss-making tasks and marketers matching service project under which we were responsible for (i) enhancing the offline retail sales of our customer through sales, stock management and data feedbacks; and (ii) managing the sales and marketing events using our digitalised tools for a term from October 2020 to December 2020. In respect to this loss-making project, we recognised revenue and gross loss of RMB8,600 and RMB280 for FY2020, respectively. The reason for such loss-making project was mainly because we offered comparatively lower prices after considering the market-leading profile of such customer. Our Directors consider that such loss-making project was one-off isolated incident as it only contributed 0.002% of our total revenue for FY2020, and the gross loss recognised as a result of this project did not have any material impact on our operations and financial performance. During the Track Record Period, save for the aforementioned tasks and marketers matching service project, we had no other loss-making tasks and marketers matching service project.

In order to minimise our exposure to loss-making projects, we have adopted internal control measures and business strategies, including regularly monitoring accounts, observing comparatively lower prices offered to our customers and closely monitor cost incurred by us. For details, see “Business — Our sales and marketing — Pricing measures and strategies”.

Payment and billing arrangements

We charge and bill our tasks and marketers matching service customers on monthly basis. During the Track Record Period, we granted credit terms of 0–170 days to our tasks and marketers matching service customers.

Representative projects

Below are some of the representative tasks and marketers matching service projects undertaken by us during the Track Record Period:

- (i) Support project management with a professional digitalised platform to achieve greater market coverage

Customer category	FMCG brand owner primarily engages in daily commodities
Implementation period	January 2021 to December 2021
Project fee	Around RMB2.0 million per month

BUSINESS

Customer’s requirements/our responsibilities

- We were responsible for supervising marketers, who undertook tasks and were responsible for tidying up in-store merchandise displays and assisting sales of merchandise. Customer also wanted to unify work standards of marketers to improve the work efficiency of marketers, which in turn would enhance sales performance of offline retail stores

- Using our system, we were responsible for realising a high service rate of marketers

- We were also responsible for providing trainings to marketers and to require them to attend online quizzes via our digitalised tool to ensure the effectiveness and quality of services provided by them

Our major work steps

- (1) First, Customer provided a list of offline retail stores which required our services and sales targets. Based on such list, we published tasks and found suitable marketers based on our intelligent matching recommendations. Such matching recommendations were generated using AI algorithm that analyses historical performance data, which is tagged to each and every marketer collected using our digitalised tool over the years.

- (2) Main duties of marketers as stated in the tasks included tidying up in-store merchandise display and assisting sales and promotion of merchandise. Marketers can apply for the tasks and we would review and approve their application. Approved marketers would receive confirmation notification on *MiJob Square*. We provided trainings to marketers and required them to attend online quizzes using *MiJob Square* to ensure the effectiveness and quality of services provided by them.

- (3) During implementation of the project, marketers were required to report their attendance and task completion using *MiJob Square*. In addition to overseeing the attendance of marketers, we continuously monitor sales performance of offline retail stores using *Touchkit* to ensure sales targets could be achieved.

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- (4) We process the data and generate analysis reports and deliver such reports to Customer. Such reports include details such as recruitment rate and attendance rate of marketers and sales performance of offline retail stores.

Stakeholders involved

Customer — Brand owner

Marketers — Over 2,000 marketers (for December 2021)

Points of sale — Over 2,000 offline retail stores in more than 260 cities in 28 provinces/municipalities in the mainland China

Digitalised tools involved and their application

- *Touchkit* — Tasks were published using *Touchkit* and the published tasks would reach marketers on *MiJob Square*.
- *MiJob Square* — Marketers received and applied for tasks through *MiJob Square* and were required to report attendance and revert task completion and other feedback using *MiJob Square*.

Achievements and assessment

- Our performance was assessed by key performance indicators stated in the service agreement, which included sales performance of offline retail stores and completion rate.
- We enabled Customer to achieve sales of RMB127 million in March 2021, representing (i) an increase in sales by 31% from RMB97 million for the same period in 2020; and (ii) 43% higher than the performance target of RMB90 million
- We achieved a high completion rate of 104% with high cost-effectiveness ratio (i.e. the ratio of sales that can be achieved though the project versus marketing expenses that Customer spent on the project) of 3.8% and obtaining highest scores for our 2022 implementation plan, thereby allowing us to obtain the continuous management of this project

BUSINESS

(ii) Managing marketers using tiered performance-based compensation

Customer category	FMCG brand owner primarily engages in food products
Implementation period	April 2021 to July 2021
Project fee	Around RMB3.0 million
Customer’s requirements/our responsibilities	<ul style="list-style-type: none">● Customer wanted to manage marketers using tiered performance-based compensation and enhance cost effectiveness of its spending on sales and marketing initiatives ● Customer also wanted to verify the identities of marketers and ensure that the marketers are the same persons from onboarding to working to payment of service fees ● We were responsible for supervising marketers and providing marketers with basic task training and product knowledge training to improve sales skills, as well as enhance the activeness of marketers in a timely manner by giving bonus
Our major work steps	<ol style="list-style-type: none">(1) First, Customer provided a list of offline retail stores which require our services and sales targets. Based on such list, we publish tasks and find suitable marketers based on our intelligent matching recommendations. Such matching recommendations were generated using AI algorithm that analyses historical performance data, which is tagged to each and every marketer collected using our digitalised tool over the years. (2) We publish tasks and find suitable marketers based on our intelligent matching recommendations. Main duties of marketers as stated in the tasks included tidying up in-store merchandise display and assisting sales and promotion of merchandise. We used <i>Touchkit</i> to publish tasks, while marketers used <i>MiJob Square</i> to apply for tasks. Afterwards, we reviewed and approved their application. Approved marketers would receive confirmation notification on <i>MiJob Square</i>. We then provided basic task and product knowledge trainings to marketers to ensure the services provided by them were up to standard as required by Customer.

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- (3) During implementation of the project, marketers were required to report their attendance and task completion using *MiJob Square*. In addition to overseeing the attendance of marketers, we continuously monitor sales performance of offline retail stores using *Touchkit* to ensure sales targets could be achieved. We need to enhance the activeness of marketers in a timely manner by giving bonus.
- (4) We process the data and generate analysis reports and deliver such reports to Customer. Such report included details such as recruitment rate and attendance rate of marketers and sales performance of offline retail stores.

Stakeholders involved

Customer — Brand owner

Marketers — Over 560 marketers (for July 2021)

Points of sale — Over 560 offline retail stores in more than 79 cities in 24 provinces/municipalities in the mainland China

Digitalised tools involved and their application

- *Touchkit* — Tasks were published using *Touchkit* and the published tasks would reach marketers on *MiJob Square*.
- *MiJob Square* — Marketers received and applied for tasks through *MiJob Square* and are required to report attendance and revert task completion and other feedback using *MiJob Square*.

Achievements and assessment

- Our performance was assessed by key performance indicators stated in the service agreement, which included sales performance of offline retail stores, completion rate and attendance rate of marketers.
- We enabled Customer to achieve an average sales of around RMB19 million during April to July 2021, representing an increase in sales by around 8% as compared with the same period in 2020 with low cost effectiveness ratio of 3.9%
- In July 2021, achieved a high completion rate of 96% and effective attendance rate of 98%

BUSINESS

Marketers assignment service

Overview

Marketers assignment service, accounted for 17.8%, 16.7% and 7.8% of our total revenue during each year of the Track Record Period. We assign our employee marketers to execute sales and marketing duties as instructed by our customers at designated offline retail stores and help manage human resources-related administration matters of these employee marketers. In particular, we enable our customers to reduce operating costs associated with human resources-related administration matters and enhance management efficiency. As such, our customers can focus on and allocate more management resources towards their core business activities, while having access to a stable supply of marketers.

Generally, one marketer assignment service contract requires hundreds of employee marketers and thus, involves a huge amount of employee marketer information and human resources-related administration matters. We use our digitalised tool, namely *eHR*, to automatically generate digital employment contracts using details input by employee marketers. It not only reduces chances of clerical and inadvertent errors as compared with traditional manual input and preparation of employment contracts, but also ensures compliance with the relevant PRC laws and regulations which require signing of employment contracts within one month from the date of commencement of work and helps streamline new staff induction procedures. In addition, we also assist our customers to handle on-going human resources-related matters, including payment of salaries and benefits.

Main duties and responsibilities of employee marketers include: (i) sales and marketing at the designated location and consumer management, which includes accomplishing the relevant monthly/annual sales and marketing targets and other on-site targets; (ii) acquiring new consumers and retaining existing consumers; (iii) accomplishing sales and displaying of merchandise and other performance indicators as may be required by our customers; (iv) executing promotional activities; and (v) managing inventories.

Revenue for marketers assignment service is recognised on a net basis which the labour costs paid to the employees are recorded to net off revenue and is recorded over time as the customers simultaneously receive and consume the benefits provided by our performance of the monthly administration work. While we enter into employment contracts with the employee marketer, we are treated as our customers’ agent. Detailed analysis on the accounting treatment for recognising revenue for marketers assignment service on a net basis is set out in “Financial Information — Principal components of consolidated statements of comprehensive income — Revenue — Marketers assignment service”.

We generally do not have discretion over the dismissal of employee marketer. Based on the above, we have no control/discretion over the daily performance of the employee marketer. Although the services provided by us under marketers assignment service, such as recommendations on recruitment and trainings, may indirectly (positively) affect the performance of employee marketer (and therefore sales performance, and in turn our performance-based revenue), such services are only provided upon our customer’s approval and major decisions in relation to the employment, level of salaries, daily performance and work schedule and dismissal of the employee marketer are generally made by our customers. Further details are set out in Note 2.22(e) to the Accountant’s Report in Appendix I to this document. The majority of the fees that we received from our customers under marketers assignment service were paid out to the employee marketer as salaries and benefits. Recognising the revenue on a net basis therefore allow us to give a more accurate reflection of our business model. Set forth below is the breakdown of our gross transaction amounts from

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marketers assignment service and reconciliation between the gross transaction amounts and revenue recognised:

	FY2020 <i>RMB'000</i>	FY2021 <i>RMB'000</i>	FY2022 <i>RMB'000</i>
Gross transaction amounts from marketers assignment service	<u>1,059,106</u>	<u>1,128,950</u>	<u>763,128</u>
Payment to employee benefit and disbursements	<u>985,523</u>	<u>1,059,538</u>	<u>714,415</u>
Revenue from marketers assignment service	<u><u>73,583</u></u>	<u><u>69,412</u></u>	<u><u>48,713</u></u>

Business model and process

The following diagram illustrates the business model of our marketers assignment service:



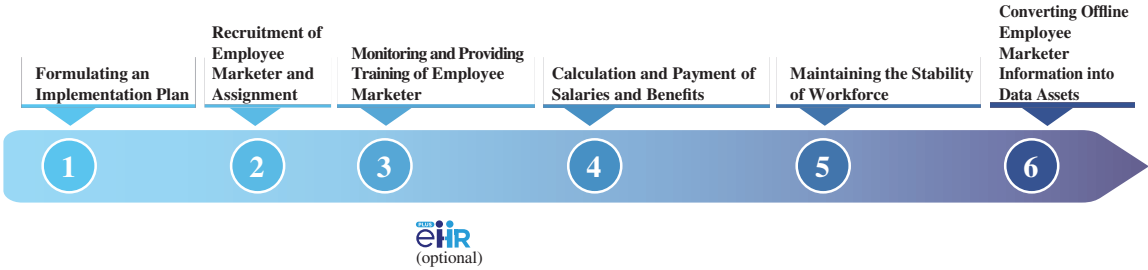
Notes:

1. We assign our employee marketers to execute sales and marketing duties as instructed by our customers at designated offline retail stores and help manage human resources-related administration matters of these employee marketers. In particular, we enable our customers to reduce operating costs associated with human resources-related administration matters and enhance management efficiency. As such, our customers can focus on and allocate more management resources towards their core business activities, while having access to stable supply of marketers.
2. During the Track Record Period, if we do not have a subsidiary established in a particular province or city, we may make such contributions of social insurance and housing provident funds through third-party human resources agencies. For details, see “Risk Factors — Risks Relating to Our Business — We used third-party agencies to make contributions under various government-sponsored employee benefits plans, which may have an adverse impact on us.” and “Business — Employees”.

In general, we procure engagement for marketers assignment service via quotation invitation or competitive tender from existing and potential customers. For further details on the tendering process, see “Our sales and marketing” in this section.

BUSINESS

The below flow chart summarises the business process of our marketers assignment service:



1. Formulating an implementation plan

We communicate with our customers and agree on scope of services of the employee marketer, including, in particular, work schedule, duties, salary scale and payment requirements, specific requirements on skills and experience of employee marketer, policy on recruitment, termination and dismissal of employee marketer, geographical location of assignment, number of positions and disbursements. We also discuss with our customers whether they want to adopt *eHR* or use their existing human resources software or system. The main features of *eHR* include user identity verification, digital employment contracts and a wide range of human resources management functions, such as calculation and records of salaries and benefits and generating staff-related reports. We enter into retainer agreement with our customers and using our data assets, we formulate an implementation plan for our customers’ approval;

2. Recruitment of employee marketers and assigning them to designated offline retail stores

We assist in the selection and recruitment of the employee marketers based on the said implementation plan and sign digital employment contracts with the employee marketers via *eHR* or sign employment contracts in paper form with the employee marketers. We only start recruiting employee marketers after the engagement of marketers assignment service has been confirmed by contract or purchase order and would not hire any employee marketers prior entering any marketers assignment service contract with our customers. The final decision on selection and recruitment of the employee marketers and the level of salaries of employee marketers are made by our customers. *eHR* automatically generates digital employment contract based on the personal details input by the employee marketers, hence reducing chances of clerical and inadvertent errors when preparing internal records and digital employment contracts as compared with traditional data entry and preparation of employment contracts manually by human resources staff. We consider that signing digital employment contracts using *eHR* could benefit our customers by ensuring compliance with the relevant PRC laws and regulations which require signing of employment contracts within one month from the date of commencement of work and streamlining new staff induction procedures. We then assign the employee marketers to work for our customers. Each employee marketer is assigned to a designated project and thus, stations at a designated offline retail store, which allows continuity and consistency of such position. Main duties and responsibilities of the employee marketers include sales and marketing at designated location, consumer management, displaying of merchandise, executing promotional activities and managing inventories. Based on the instructions of our customers, we assist in the management of the employee marketers. Generally, we provide advice to our customers on the implementation of sales and marketing services carried out by the employee marketers and our customers may directly or with our assistance give instructions to employee marketers so as to assign duties to them. Our customers have the discretion on the daily performance, or work schedule of the employee marketers;

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3. *Monitoring and providing training of employee marketers*

We may need to appraise whether the assigned employee marketers can meet the specific key performance indicators as stipulated in our service agreement with customers and provide trainings to employee marketers to ensure satisfactory performance. Via *eHR*, we can continuously manage the employment records, such as digital employment contracts, number of employee marketers pending recruitment approval, number of contracts pending execution and average salary of all employee marketers, in an efficient manner;

4. *Calculation and payment of salaries and benefits*

We calculate salaries (which may include fixed monthly salaries and bonuses to be calculated based on stipulated performance indicators) and benefits (including social insurance and housing provident fund) of employee marketers according to the employment contract signed between us and the employee marketers. We then submit the calculations to our customers for their approval. Upon customers’ approval of the calculation, we make payments of salaries to the employee marketers and make contributions of social insurance and housing provident funds before our customers’ payments of our service fees. Our customers will reimburse us according to the service contracts. If we do not have a subsidiary established in a particular province or city, we may make such contributions of social insurance and housing provident funds through third-party human resources agencies. We issue our invoice based on the service agreement for our customer’s settlement;

5. *Maintaining the stability of workforce*

If our customers consider that any employee marketer assigned by us is unsatisfactory, our customers have the right to request for replacement and we are responsible for providing suitable candidates for our customer to select and take up the post within a designated period of time, generally ranging from one to two weeks. Generally, we then make payment of compensation arising from the termination of the employment contract due to the aforementioned reason, for which our customers will reimburse us thereafter according the contracts we enter into with our customers. Our customers generally have the discretion on dismissal of employee marketer. Meanwhile, we may receive an appraisal bonus if, among others, we handle entry and exit procedures in a timely manner. As such, we help our customers maintain a stable and appropriate workforce; and

6. *Converting offline information into data assets*

Data assets maintained on *eHR* include information such as personal details of employee marketers, payroll records and records of contribution of social insurance and housing provident funds.

BUSINESS

Employee marketers

We engage employee marketers and assign them to work for our marketers assignment service customers. Each of the employee marketer is assigned to a designated project according to his/her working experiences and skill sets and thus, stations at a designated offline retail store, which allows continuity and consistency of such position. Generally, there is no overlapping service provided by our employee marketers as each of them is recruited for and assigned to a designated project. Occasionally, when our management considers there to be a need to fill temporary shortages of marketers, we may engage third-party marketers under marketers assignment service as temporary substitutes in place of our employee marketers during their temporary and short-term absence. Their remuneration includes 1) fixed monthly salaries, which are subject to actual attendance, and 2) performance-based commissions, which are typically calculated based on stipulated performance indicators, such as sales performance of the offline retail store or sales amount of a particular merchandise.

In respect of the termination of employment relationship between us and employee marketers at the instruction of marketers assignment service customers, according to the employment contracts entered into between us and the employee marketers and the applicable PRC Labour Contract Law, except as otherwise provided by the law, we are entitled to terminate the employment contracts unilaterally due to, among other grounds, the employee marketers’ serious violation of the our rules and regulations or their serious dereliction of duty. Furthermore, by providing a 30-day prior written notice to the relevant employee marketer, we are entitled to legally terminate the employment contract of the relevant employee marketer due to, among other grounds, the relevant employee marketer’s incompetency despite his/her training and adjustment in job position.

As advised by our PRC Legal Adviser, in the event that we have terminated the employment contract of an employee marketer in a manner contrary to the terms of the employment contract, for example, by failing to give prior written notice as expressly stipulated under the relevant employment contract, then according to the PRC Labour Law, on the ground of breach of the employment contract, the employee marketer may require the Group to make economic compensation, which amounts to two months’ wages for each full year of the employee marketer’s years of employment with the Group. In which case, and pursuant to the service contract entered into between us and the marketers assignment service customer, the costs resulting from such termination including the abovesaid economic compensation shall be borne by our customer.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material legal proceeding with the employee marketers in relation to the termination of employment relationships.

During the Track Record Period, we have generally entered into fixed term contracts with our employee marketers, with such contract periods ending (i) on a specific date or (ii) on the completion date of our customers’ sales and marketing events. For the fixed term contracts with a specific termination date, the contract period generally falls within 3 years and hence mirror the periods of the corresponding service contracts (from 2 months to 3 years) that we enter into with our respective customers. Each of the employee marketer is assigned to a designated project and thus, stations at a designated offline retail store, which allows continuity and consistency of such position. Main duties and responsibilities of the employee marketers include: (i) sales and marketing at the designated location and consumer management, which includes accomplishing the relevant monthly/annual sales and marketing targets and other on-site targets; (ii) acquiring new consumers and retaining existing consumers; (iii) accomplishing sales and displaying of merchandise and other performance indicators as may be required by our customers; (iv) executing promotional activities; and (v) managing inventories. For further details, see “Our service network and marketers” in this section.

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We provide nationwide services to our customers by effectively monitoring and governing highly dispersed employee marketers. As at 31 December 2022, we assisted in the recruitment and assigned more than 3,900 employee marketers who work for our customers in over 160 cities, comprising cities of different tiers across 23 provinces/municipalities in China. The table below sets out a summary of geographical areas where our employee marketers were located at for the years indicated:

	2020		As at 31 December 2021		2022	
	<i>Number of employee marketers</i>	<i>%</i>	<i>Number of employee marketers</i>	<i>%</i>	<i>Number of employee marketers</i>	<i>%</i>
East China ⁽¹⁾	5,576	44.3	4,687	40.4	1,514	38.7
South China ⁽²⁾	2,434	19.3	2,485	21.4	957	24.4
Southeast China ⁽³⁾	632	5.02	651	5.6	337	8.6
Southwest China ⁽⁴⁾	641	5.1	749	6.5	393	10.0
North China ⁽⁵⁾	1,526	12.1	1,642	14.1	464	11.8
Northeast China ⁽⁶⁾	810	6.4	774	6.7	112	2.9
Northwest China ⁽⁷⁾	1	0.1	3	0.1	—	—
Central China ⁽⁸⁾	981	7.8	621	5.3	140	3.6
Total	12,601	100.0	11,612	100.0	3,917	100.0

Notes:

- (1) Included Jiangsu, Shanghai, Zhejiang and other provinces/municipalities in East China.
- (2) Included Guangdong, Guangxi and Hainan.
- (3) Included Sichuan and Jiangxi.
- (4) Included Chongqing, Yunnan and Guizhou.
- (5) Included Beijing, Shanxi, Hebei and other provinces/municipalities in North China.
- (6) Included Jilin and Liaoning.
- (7) Included Xinjiang.
- (8) Included Hunan and Hubei.

Number of customers

The following table sets out number of our customers who engaged us for marketers assignment service for the years indicated:

	FY2020	FY2021	FY2022
<i>Number of:</i>			
— New customers	3	1	5
— Repeating customers	19	13	13

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Number of customers who engaged us for marketers assignment service decreased from 22 for FY2020 to 14 for FY2021, mainly because (i) six customers ceased to engage us for any services for FY2021; and (ii) three customers ceased to engage us for our marketers assignment service but continued to engage us for our customised marketing solution and/or tasks and marketers matching service for FY2021. These three customers contributed an aggregate revenue of RMB7.3 million and RMB8.4 million and an aggregate gross profit of RMB2.6 million and RMB3.0 million for FY2020 and FY2021, respectively. Number of marketers assignment service customers then increased to 18, mainly as a result of our efforts in procuring new customers for FY2022.

During the Track Record Period, certain customers ceased to engage us for our marketers assignment service but continued to engage us for our customised marketing solution and/or tasks and marketers matching service. We believe that it was in line with our strategies to put more focus on customised marketing solution and tasks and marketers matching service. From our perspective, marketers assignment service has been relatively less profitable (if gross transaction amount is considered) and requires relatively more working capital than our other services. From our customer’s perspective, whether our customers would switch to our other services mainly depends on their sales and marketing strategies in response to the prevailing offline retail market situation. In particular, marketers assignment service offers dedicated and stable workforce whereas customised marketing solution delivers one-time customised sales and marketing event implementation services and tasks and marketers matching service offers flexibility in the use of a large marketer pool for executing specific task duties at particular offline retail stores.

Backlog of our projects during the Track Record Period

Backlog, with respect to our marketers assignment service, refers to our estimate of number of outstanding contracts to be performed upon receiving our customers’ instructions, the service terms of which had not expired as at the end of the indicated year and the corresponding amounts of revenue to be recognised pursuant to such contracts. Such estimate is based on the best knowledge, information and belief of our Directors as of the Latest Practicable Date.

The following table sets out a rolling backlog of our marketers assignment service:

	FY2020	FY2021	FY2022
<i>Number of contracts</i>			
Total number of outstanding contracts as at the beginning of the year	21	19	36
Add: number of new contracts commenced during the year	16	24	7
Less: number of contracts completed during the year	18	7	30
Total number of outstanding contracts as at the end of the year	19	36	13

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	FY2020 <i>(RMB '000)</i>	FY2021 <i>(RMB '000)</i>	FY2022 <i>(RMB '000)</i>
<i>Outstanding contract amounts</i>			
Total outstanding contract amounts as at the beginning of the year	67,949	29,660	43,917
Add: amounts of new contracts commenced during the year	35,294	83,669	22,740
Less: revenue recognised for the year	73,583	69,412	48,713
 Total outstanding contract amounts as at the end of the year	 29,660	 43,917	 17,945 ^{<i>(Note)</i>}

The number of outstanding contracts decreased from 36 as at 31 December 2021 to 13 as at 31 December 2022 and the average amount of outstanding contracts increased from RMB1.2 million at 31 December 2021 to RMB1.4 million as at 31 December 2022. This was mainly because as impacted by the outbreak of COVID-19 in Shanghai in early 2022, among the outstanding contracts as at 31 December 2021, ten customers had two or more marketers assignment service contracts for FY2021, whereas among the outstanding contracts as at 31 December 2022, save for one customer who had three marketers assignment service contracts, all customers had only one marketers assignment service contract with us for FY2022. As of the Latest Practicable Date, we had outstanding contract amounts of RMB20.6 million ^{*(Note)*}, among which RMB17.9 million is expected to be recognised as revenue for the year ending 31 December 2023.

Note:

The outstanding contract amounts as of 31 December 2022 and as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive calculated on a net basis and based on the latest monthly fees for the Track Record Period for the remaining contract durations.

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The following table sets out the top 10 contracts of marketers assignment service in terms of aggregate revenue recognised throughout the Track Record Period:

Rank	Customer	Contract duration	Scope of services	Charging bases	FY2020 RMB '000	Revenue FY2021 RMB '000	FY2022 RMB '000	Aggregate revenue recognised throughout the Track Record Period 2023 (Note 6) RMB '000	Outstanding contract amounts as of the Latest Practicable Date expected to be recognised as revenue for the year ending 31 December 2023 (Note 6) RMB '000	Contract status as of the Latest Practicable Date	Contract gross profit margin (Note 7) %
1	Customer B (Note 2)	2021/7/1– 2023/6/30	Marketers assignment and management	Fixed and floating service fees	—	10,813	13,309	24,122	4,211	Ongoing	93.1%
2	Customer B (Note 2)	2019/7/1– 2020/6/30	Marketers assignment and management	Fixed and floating service fees	22,353	—	—	22,353	—	Completed	87.0%
3	Customer D (Note 1)	2018/10/1– 2020/9/30	Recruitment and management of sales promoter and assignment of sales promoter to multiple promotion project	Fixed service fees	16,009	—	—	16,009	—	Completed	81.6%
4	Customer F (Note 3)	2021/1/1– 2022/12/31	Recruitment and human resources management of sales representatives	Fixed service fees	—	8,816	6,658	15,474	—	Completed	90.5%
5	Customer B (Note 2)	2020/7/1– 2021/6/30	Marketers assignment and management	Fixed and floating service fees	253	9,480	—	9,733	—	Completed	95.2%
6	Customer G (Note 5)	2021/5/1– 2022/4/30	Recruitment, training and management of sales representatives	Fixed service fees	—	3,783	5,656	9,459	—	Completed	92.1%
7	Customer A (Note 4)	2020/4/1– 2021/6/30	Assignment of marketers to designated offline retail stores to carry out promotional activities	Fixed service fees	4,547	4,315	—	8,862	—	Completed	89.3%
8	Customer D (Note 1)	2018/10/1– 2021/9/30	Recruitment and management of sales promoter and remote sales promoter to multiple promotion project	Fixed service fees	60	7,948	—	8,008	—	Completed	88.0%
9	Customer F (Note 3)	2020/1/1– 2020/12/31	Recruitment and human resources management of sales representatives	Fixed service fees	7,671	—	—	7,671	—	Completed	85.6%
10	Customer D (Note 1)	2021/10/1– 2023/2/1 (Note 8)	Recruitment and management of sales promoter and assignment of sales promoter to multiple promotion project	Fixed service fees	—	3,017	3,411	6,428	—	Completed	94.4%

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Notes:

- 1 Customer D is a group of PRC entities primarily engaging in the sales of infant products (including toys and dairy products). The parent company of Customer D is a subsidiary of an Asia-Pacific-based global investment firm based in PRC.
- 2 Customer B is a group of PRC entities primarily engaging in sales of daily commodities (including personal health care, oral care, textile care and home care). The parent company of Customer B is a global leader in the FMCG industry focused on providing branded consumer packaged goods in approximately 180 countries and territories through online and offline channels. The shares of the parent company of Customer B are listed on the New York Stock Exchange with a net sales of around USD71.0 billion, US76.1 billion and USD80.2 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD359.2 billion as at 31 December 2022.
- 3 Customer F is a group of PRC entities primarily engaging in the sales of daily commodities and food products. The parent company of Customer F is a FMCG multinational corporation having over 400 brands in 190 countries. Its daily commodities and food products are categorised into (i) beauty & personal care (which primarily included sales of skin cleansing, hair care, skin care and deodorants categories); (ii) foods & refreshment (which primarily included sales of ice cream, savoury, dressings and tea categories); and (iii) home care (which primarily included sales of fabric category and a wide range of cleaning products). The shares of the parent company of Customer F are listed on the London Stock Exchange with a turnover of around EUR50.7 billion, EUR52.4 billion and EUR60.1 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD127.5 billion as at 31 December 2022.
- 4 Customer A is a private PRC entity primarily engaging in sales of food products. It had a registered capital of USD91.5 million. The parent company of Customer A is a FMCG multinational corporation and the world's leading manufacturer of chocolate, chewing gum, mints and fruity confections. Such corporation specialises in the production confectionery, pet food and other food products.
- 5 Customer G is a PRC entity primarily engaging in the sales of daily commodities, focusing on products mostly made from natural or synthetic fibres using technologies in fibres, nonwovens and absorbency. The parent company of Customer G is a FMCG multinational corporation, which is a global leader in indispensable daily commodities (including personal health care products, household paper and consumer products) in more than 175 countries. The shares of the parent company of Customer G are listed on the New York Stock Exchange with a net sales of around USD19.1 billion, USD19.4 billion and USD20.2 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD45.8 billion as at 31 December 2022.
- 6 The outstanding contract amounts as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive calculated on a net basis and based on the latest monthly fees for the Track Record Period for the remaining durations of the year ending 31 December 2023.
- 7 Gross profit margin represents overall gross profit margin for the particular contract for the contract duration.
- 8 As of the Latest Practicable Date, this contract was terminated by Customer D and us through a new contract entered into between Customer D and us with effect from 1 February 2023.

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Fee model

Generally, we charge our customers (i) fixed service fees based on a cost-plus approach with reference to cost and expenses expected to be incurred, such as insurance premium; and (ii) reimbursements of employee marketers’ salaries and benefits and disbursements. In certain projects, we may charge our customers performance-based floating fees which are calculated based on the results of specified performance indicators. Typical examples of performance indicators include sales performance of the offline retail store or sales amount of a particular merchandise. During each year of the Track Record Period, average revenue from marketers assignment service (in terms of contracts completed during the year) amounted to RMB4.1 million, RMB9.9 million and RMB1.6 million, respectively. For the same period, we had no loss-making marketers assignment service contract.

Regarding employee marketers’ salaries and benefits and other disbursements (as stated under item (ii) in the above paragraph), since we have employment relationship with our employee marketers, we are obliged to pay them salaries and benefits and to provide them labour insurance before we are reimbursed from our customers. In relation to the reimbursement procedures, we first calculate salaries (which may include fixed monthly salaries and bonuses to be calculated based on stipulated performance indicators) and benefits (including social insurance and housing provident fund) according to their employment contract signed with us. Then, we submit the calculations to our customers for their approval. Upon customers’ approval of the calculation, we are responsible for and we make payments of salaries to the employee marketers and make contributions of social insurance and housing provident funds, or if we do not have a subsidiary established in a particular province or city, we may make such contributions of social insurance and housing provident funds through third-party human resources agencies. We then seek reimbursement from our customers.

Payment and billing arrangements

We charge and bill our marketers assignment service customers on monthly basis. During the Track Record Period, we granted credit terms of 7–180 days to our marketers assignment service customers.

Representative project

Below is a representative marketers assignment service project undertaken by us during the Track Record Period:

Customer category	FMCG brand owner primarily engaged in food products
Implementation period	January 2021 to December 2021
Project fee	Around RMB8.0 million per month
Our responsibilities	<ul style="list-style-type: none">• According to Customer’s requirements, we were responsible for ensuring the human resources-related matters of the employee marketers, including but not limited to the signing of employment contracts and payment of salaries and benefits, were in compliance with the relevant laws and regulations

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- Our major work steps**
- (1) We assisted Customer in recruitment of employee marketers. Upon confirmation of employment, the new employee marketers received an invitation link via instant messages to fill out required personal details and uploading supporting documents such as household registration status, social security, bank account details and address proof, to verify his or her identity. Executed versions of the digital employment contracts were retained as data assets and are available for review and download by Customer.
 - (2) Customer could manage and review day-to-day human resources-related operations, such as calculation and records of salaries and benefits and generating staff-related reports through *eHR*.
 - (3) We calculated salaries and benefits (including social insurance and housing provident fund) of employee marketers according to the employment contract signed between us and the employee marketers. We then submitted the calculations to Customer for their approval. Upon Customers’ approval of the calculation, we made payments of salaries to the employee marketers and made contributions of social insurance and housing provident funds.

Stakeholders involved

Customer — Brand owner

Marketers — Over 1,100 employee marketers in around 120 cities in the PRC

Points of sale — N/A (*Customer did not opt for using our other digitalised tools and thus, did not provide information on points of sale*)

Digitalised tool involved and their application

eHR — Using *eHR*, Customer and us can continuously manage the employment records. In particular, *eHR* assists in employee marketers user identity verification and automatically generates digital employment contract based on the personal details input by the employee marketers, hence reducing chances of clerical and inadvertent errors.

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Achievements and assessment

- Our service fees for this project were calculated with reference to the number of employee marketers involved. There were performance indicators stated in the service agreement, which included on-time payment and submission of payment records of salaries and benefits to employee marketers.
- Owing to the nature of the offline retail market which is labour intensive and widely spread, signing digital employment contracts and conducting identity verification using our digitalised tool can reduce travel expenses and prevent counterfeit signing
- In addition to employment contracts, other human resources-related documents, such as employee handbooks and administrative notices, can also be signed using digital signing function of our digitalised tool and completed online
- Human resources-related data (such as salaries payment, work-related injury, retirement, social insurance and housing provident funds contributions) and documents are digitalised, thereby significantly improving operation efficiency, strengthened record-keeping, data security and information sharing and enhanced collaboration among different business units

SaaS+ subscription

Overview

SaaS+ subscription, contributed the fourth largest of our revenue and accounted for 0.5%, 3.6% and 4.5% of our total revenue during each year of the Track Record Period. Our SaaS+ subscription offers customisation (on an as-needed basis) and subscription for our readily-available digitalised tools. In particular, our digitalised tools support our customers to streamline their sales and marketing process and manage their offline retail network, as well as make data-driven decisions.

Revenue from SaaS+ subscription service including data subscription and system set up is under separate contracts and they are considered as distinct performance obligations. The revenue is recognised over time. When providing the system set-up service, our performance does not create an asset with an alternative use to us and has an enforceable right to payment for performance completed to date. Besides, the customer simultaneously receives and consumes the benefits of subscription service provided by us as we perform. We generally charge our customers with service fee for system set up and a fixed subscription fee over the contract period. Revenue for SaaS+ subscription is recognised on a gross basis over time while the contract costs to fulfil a contract, such as operating cost and labour costs for the set up services are recognised as cost of services. See Notes 2.22 and 4(a) to the Accountant’s Report in Appendix I to this document for further details on significant accounting policies regarding revenue recognition and critical accounting estimates and judgements in relation to revenue recognition.

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Business model and process

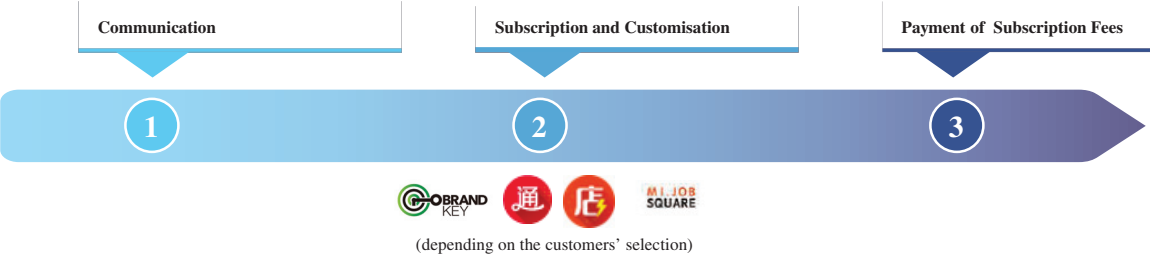
The following diagram illustrates the business model of our SaaS+ subscription:



Notes:

1. Our SaaS+ subscription offers customisation (on an as-needed basis) and subscription for our readily-available digitalised tools. In particular, our digitalised tools support our customers to streamline their sales and marketing process and manage their offline retail network, as well as make data-driven decisions.
2. Major suppliers of SaaS+ subscription include IT service suppliers.

We procure SaaS+ subscription customers generally through invitations to provide quotations received from existing and potential customers or as a result of our proactive communication with our existing and potential customers. We act as system operator of our digitalised tools. The below flowchart summarises the major business process of our SaaS+ subscription:



1. Communication with customers

We communicate with our customers to understand their requests and needs and suggest suitable digitalised tools that are readily-available. We also discuss with our customers to see if customisation of our readily-available digitalised tools would be necessary. We may also develop new digitalised tools for our customers if so requested. In general, our customers determine the technical requirements (such as functionalities, data tags, designs of the interface, etc.) of the digitalised tool(s);

2. Subscription and customisation

We enter into subscription agreement with our customers and activate the digitalised tools for our customers. Meanwhile, we may activate the digitalised tools for users designated by our customers, such as their employees, distributors or marketers. Generally and on an as-needed basis, we customise the settings and/or operations of a range of readily-available digitalised tools in order to fulfil our customers’ technical requirements. Throughout the term of the subscription, we provide all the necessary IT assistance and maintenance relating to our digitalised tools; and

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3. *Payment of subscription fees*

We issue our invoice based on the service agreement for our customer’s settlement.

Number of customers

The following table sets out number of our customers who engaged us for SaaS+ subscription for the years indicated:

	FY2020	FY2021	FY2022
<i>Number of:</i>			
— New customers	3	5	90
— Repeating customers	—	3	5
Customer retention rate ^(Note)	N/A	100.0%	62.5%

Note: The customer retention rate for a given year is calculated by dividing (i) the number of customers in the previous year who remain as our customers in the current year by (ii) the total number of customers in the previous year.

Number of customers who engaged us for SaaS+ subscription increased from 3 for FY2020 to 8 for FY2021 and substantially increased to 95 for FY2022, which was in line with our business strategy to promote our SaaS+ subscription. In particular, most of the new customers we procured for FY2022 were distributor customers. Initially, with an aim to enhance sales of products through digital channels, certain of our brand owner customers have paid the subscription fees of our digitalised tool(s) for use by distributors. Hence, these distributors were not engaged as our customers at the outset. Subsequently, due to more specific needs of the respective distributors, they proceeded to directly engage us in the capacity of distributor customers (i.e. paying us subscription fees for our digitalised tool(s)) under our SaaS+ subscription), so as to satisfy their individual customisation needs. Meanwhile, the increase in average revenue per customer from RMB0.7 million for FY2020 to RMB1.9 million for FY2021 was mainly because of the increase in number of contracts commenced during FY2021. However, the decrease in the average revenue per customer from RMB1.9 million for FY2021 to RMB0.3 million for FY2022 was mainly because we procured a large number of new distributor customers for FY2022 and in line with our strategic promotion of standardised SaaS+ subscription services to distributor customers and other relatively small-scale customers.

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Backlog of our projects during the Track Record Period

Backlog, with respect our SaaS+ subscription, refers to our estimate of number of outstanding contracts to be performed upon receiving our customers’ instructions, the service terms of which had not expired as at the end of the indicated period, and the corresponding amounts of revenue to be recognised pursuant to such contracts. Such estimate is based on the best knowledge, information and belief of our Directors as at the Latest Practicable Date.

The following table sets out a rolling backlog of our SaaS+ subscription contract amounts and number of SaaS+ subscription contracts:

	FY2020	FY2021	FY2022
<i>Number of contracts</i>			
Total number of outstanding contracts as at the beginning of the year	12	16	7
Add: number of new contracts commenced during the year	10	42	7
Less: number of contracts completed during the year	6	51	13
Total number of outstanding contracts as at the end of the year	16	7	1
	FY2020	FY2021	FY2022
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
<i>Outstanding contract amounts</i>			
Total outstanding contract amounts as at the beginning of the year	55	2,611	3,635
Add: amounts of new contracts commenced during the year	4,529	15,939	24,077
Less: revenue recognised for the year	1,973	14,915	27,712
Total outstanding contract amounts as at the end of the year	2,611	3,635	— <i>(Note)</i>

As of the Latest Practicable Date, we had outstanding contract amounts under SaaS+ subscription of RMB19,045 ^(Note) and it is expected to be recognised as revenue for the year ending 31 December 2023.

Note:

The outstanding contract amounts as of 31 December 2022 and as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts are to be performed in accordance with its terms as of 31 December 2022 and the Latest Practicable Date, respectively, for the remaining contract durations.

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The following table sets out the top 10 contracts of SaaS+ subscription in terms of aggregate revenue recognised throughout the Track Record Period:

Rank	Customer	Contract duration	Scope of services	Charging bases	FY2020 RMB'000	Revenue FY2021 RMB'000	FY2022 RMB'000	Aggregate revenue recognised throughout the Track Record Period 2023 RMB'000	Aggregate revenue expected to be recognised as revenue for the year ending 31 December 2023 (Note 5) RMB'000	Outstanding contract amounts as of Latest Practicable Date	Contract status as of the Latest Practicable Date	Contract gross profit margin (Note 6) RMB'000	Contract gross profit margin (Note 8) 65.4%	Contract status as of the Latest Practicable Date
1	Customer H (Note 1)	2022/4/12– 2022/12/31	Development of certain digitalised platform and tools	Fixed service fees	—	—	12,581	12,581	—	—	73.7%	—	73.7%	Completed
2	Customer H (Note 1)	2022/11/23– 2022/12/31	Development of certain digitalised platform and tools	Fixed service fees	—	—	4,764	4,764	—	—	70.2%	—	70.2%	Completed
3	Customer H (Note 1)	2021/12/21– 2021/12/31	Data processing digitalised tool	Fixed service fees	—	4,622	—	4,622	—	—	98.6%	—	98.6%	Completed
4	Note 2	2021/10/12– 2023/10/11	Distributors management digitalised tool	Fixed service fees	—	471	3,393	3,864	—	(Note 7)	65.4%	—	65.4%	Ongoing
5	Customer H (Note 1)	2021/11/12– 2021/12/31	Development of digitalised tool for marketing purposes	Fixed service fees	—	3,147	—	3,147	—	—	36.0%	—	36.0%	Completed
6	Customer H (Note 1)	2020/12/11– 2021/1/20	Data processing digitalised tool	Fixed service fees	355	1,419	—	1,774	—	—	44.8%	—	44.8%	Completed
7	Note 3	2020/12/1– 2022/6/30	Development of digitalised tool for marketing purposes	Fixed service fees	764	764	—	1,528	—	—	27.4%	—	27.4%	Completed
8	Customer H (Note 1)	2022/12/21– 2022/12/23	Development of digitalised tool for marketing purposes	Fixed service fees	—	—	1,098	1,098	—	—	61.0%	—	61.0%	Completed
9	Note 3	2021/7/2– 2022/6/30	Provision of digitalised tool for sales and marketing purposes	Fixed service fees	—	—	945	945	—	—	38.0%	—	38.0%	Completed
10	Note 4	2021/12/23– 2022/12/31	Development of digitalised tool for marketing purposes	Fixed service fees	—	—	931	931	—	—	19.7%	—	19.7%	Completed

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Notes:

- 1 Customer H is a group of PRC entities primarily engaging in the sales of food products (such as chips, nuts and other casual snacks) and beverage. The parent company of Customer H is a FMCG multinational corporation, which a global leader in convenient foods and beverages and its product portfolio includes a wide range of enjoyable foods and beverages, including many iconic brands that generate more than USD1 billion each in estimated annual retail sales. The shares of the parent company of Customer H are listed on NASDAQ with a revenue of around USD70.4 billion, USD79.5 billion and USD86.4 billion for FY2020, FY2021 and FY2022, respectively. The market cap of which was USD248.9 billion as at 31 December 2022.
- 2 PRC-based corporation which is primarily engage in foods products.
- 3 Group of PRC entities primarily engage in foods products and are subsidiaries of a multinational corporation, the shares of which are listed on Stock Exchange. The market cap of which was HK\$77.6 billion as at 31 December 2022.
- 4 PRC-based corporation which primarily engage in dairy products.
- 5 The outstanding contract amounts as of the Latest Practicable Date represent the amounts that we expect, based on the best knowledge, information and belief of our Directors, to receive assuming the contracts are to be performed in accordance with its terms as of the Latest Practicable Date for the remaining durations for the year ending 31 December 2023.
- 6 Gross profit margin represents overall gross profit margin for the particular contract for the contract duration.
- 7 We had completed the services and all service fees under the contract had been billed.
- 8 This contract had a relatively higher gross profit margin, mainly because this contract involved the subscription of *Site DNA* which had been previously developed and thus, did not involve any complex development of new platform or digitalised tool, resulting in a relatively lower cost for system development and maintenance.
- 9 This contract had a relatively lower gross profit margin, mainly because we were required to develop a customised platform for the customer, including interface and billboard design for different types of users, and thus, we incurred a relatively higher development cost for engaging third-party IT service provider.
- 10 This contract had a relatively lower gross profit margin, mainly because we were required to develop a customised version of *BrandKEY* and assist in the operation and maintenance of the customer’s system in various locations, resulting in a relatively higher development cost.
- 11 This contract had a relatively lower gross profit margin, mainly because (i) we were required to plan and develop a customised version of *One Shop One Code* and provide on-going remote support and maintenance services; and (ii) the development and operation of corporate Wechat, which involved timely interactions with consumers and diligent operations, resulting in a relatively higher development cost.
- 12 This contract had a relatively lower gross profit margin, mainly because (i) we were required to develop a customised version of *BrandKEY* for the customer’s use in various locations and provide on-going maintenance services, and thus, we incurred a relatively higher development cost; and (ii) we offered a more competitive pricing to this customer as it was a new customer procured by us in 2022.

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Fee model

We generally charge our customers with fixed service fees for customisation of our digitalised tools, if required, and a fixed subscription fee over the contract period which is determined with reference to similar digitalised tools in the market. During each year of the Track Record Period, average revenue from SaaS+ subscription (in terms of contracts completed during the year) amounted to RMB329,000, RMB292,000 and RMB2.1 million, respectively. For the same period, we had no loss-making SaaS+ subscription contract.

Payment and billing arrangement

Our SaaS+ subscription is charged on project basis. Depending on the nature of projects, we generally bill our customers after project completion or based on project milestone. During the Track Record Period, we granted a credit term of 30–120 days to our SaaS+ subscription customers.

Representative projects

Below are some of the representative SaaS+ subscription projects undertaken by us during the Track Record Period:

- (i) *BrandKEY* (customised version)

Customer category	FMCG brand owner primarily engage in food products and beverage
Implementation period	December 2020 to June 2022
Project fee	Around RMB2.4 million
Customer’s requirements/ our responsibilities	<ul style="list-style-type: none">• Customer wanted to develop a full-process marketing management system, which has high accuracy, so that Customer can manage sales and marketing plans of a large number of offline retail stores• In addition, such system is required to get through and extract data with consistent data tags from other software and systems, such as marketing management systems, finance systems or employee management systems, which had been used by Customer’s 27 nationwide branch companies• We shall continue to provide services in relation to system management and maintenance and data maintenance and backup after our digitalised tool commenced operations and system software operation trainings to Customer’s 27 branch companies

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Our major work steps	<ol style="list-style-type: none">(1) Customer provided us un-sorted data of its sales and marketing agencies, marketing supervisors and offline retail stores. We sorted and consolidated these data using data tags.(2) Meanwhile, based on Customer’s requirements, we customised <i>BrandKEY</i>, in particular filtering functions using appropriate data tags, so that data can be extracted with consistent data tags through different system.(3) Then, we tested the stability and reliability of the newly customised <i>BrandKEY</i>. After testing, we linked <i>BrandKEY</i> to software and systems, such as marketing management systems, finance systems or employee management systems, which had been used by Customer’s 27 nationwide branch companies.(4) Finally, using our customised <i>BrandKEY</i>, Customer can manage sales and marketing plans involving a large number of sales and marketing agencies, marketing supervisors and offline retail stores.
Stakeholders involved	<p><i>Customer</i> — Brand owner (including its 27 nationwide branch companies)</p> <p><i>Distributors</i> — over 60 sales and marketing agencies and over 500 marketing supervisors</p> <p><i>Points of sale</i> — over 17,000 offline retail stores</p>
Digitalised tools involved and their application	<p><i>BrandKEY</i> (customised version) offers offline commerce management platform specifically designed to meet the operation needs of Customer, contains tools that help manage offline operations, including, organisational and agency management, budget and resources management, project implementation and performance evaluation, document control and is an open platform that can be connected to other systems or software which may be used by Customer or their service providers or agencies. As such, it enables systemisation of data collected from different parties or extracted from various software and maximises the accessibility and sharing of data and information.</p>

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Achievements and assessment	<ul style="list-style-type: none">● We charged fixed service fees for customisation and subscription of our digitalised tool. There was no performance indicator stated in the service agreement. ● By July 2022, Customer was successfully connected with 62 sales and marketing agencies, over 500 marketing supervisors and over 17,000 offline retail stores using our digitalised tool.
 (ii) <i>Channel Station</i>	
Customer category	FMCG brand owner primarily engages in food products
Implementation period	January 2022 to December 2022
Project fee	RMB5,000 per user account per year
Customer’s requirements/ our responsibilities	<ul style="list-style-type: none">● Customer had 70,000 offline retail stores and wanted to digitalise its business activities with offline retail stores. ● Customer also wanted to (i) optimise the organisation structure with reference to the sales performance of the offline retail stores; (ii) identify suitable offline retail stores for formulating expansion plan and reallocating resources; and (iii) connect with distributors’ offline retail stores and enable Customer to track their daily sales orders. ● Project should involve 100 pilot distributors.
 Our major work steps	 (1) We activate <i>Channel Station</i> for Customer and Customer could send invitation link to its distributors. Using the invitation link, distributors of Customer can set up and manage their digitalised storefronts and maintain merchandise catalogue on the digitalised storefront of <i>Channel Station</i> . On the digitalised storefront, distributors can pre-set details such as prices, specifications, any promotional information, minimum sales volume and pricing policies and standards for certain merchandise that suit their retail strategies.

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- (2) Distributor users can create QR code using *Channel Station* and invite offline retail stores to visit their digitalised storefront using such QR code. Using *Channel Station*, offline retail stores can place purchase orders directly with such distributor and distributor may then choose to accept their orders and confirm details regarding delivery and payment status. Upon completion of sales transactions, *Channel Station* automatically generates invoices to reduce administrative time and costs. Also, *Channel Station* tracked the offline retail stores which had obtained and used promotional coupons.
- (3) At the same time, Customer obtains data in relation to the purchase orders placed by offline retail stores with the relevant distributor users, so that Customer can analyse the market demands and understand the effectiveness of marketing activity.

Stakeholders involved

Customer — Brand owner

Distributors — Over 80 distributors

Points of sale — Over 6,500 offline retail stores

Digitalised tools involved and their application

Channel Station is an integrated digitalised storefront focusing on connecting distributors and offline retail stores. Customer can arrange its distributors to set up their digitalised storefront to display merchandise and release marketing events and promotions with a view to driving sales, while point of sale users (as well as marketers who may be owners of offline retail stores) can place orders directly with distributor users, by digitalising the order placing processes. Main functions of *Channel Station* include (i) setting up and management of digitalised storefronts; (ii) management of distribution network; and (iii) organising marketing events and promotions.

Achievements and assessment

- We charged fixed service fees with reference to number of distributors connected to Customer using our digitalised tool. There was no performance indicator stated in the service agreement.
- During the project period, Customer obtained over 13,000 sales orders from offline retail stores, totaling RMB8.7 million, through our digitalised tool.

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- In June 2022, Customer had connected with 83 distributors and accumulated over 6,500 offline retail stores, which was 12% higher than the performance target as stated in the agreement, and achieved sales orders exceeding 4,300 with an overall repeat purchase rate of 65%.
- For nine months ended 30 September 2022, around 26,000 sales orders from over 5,600 offline retail stores was achieved using our digitalised tool; as compared with the fact that promotional events cannot directly reach offline retail stores if traditional management model was used.

(iii) *Site DNA* (customised version)

Customer category	FMCG brand owner primarily engage in food products and beverage
Implementation period	December 2021
Subscription fee	Around RMB4.9 million
Customer’s requirements/ our responsibilities	<ul style="list-style-type: none">● Customer had a number of independent data sources of its offline retail stores, which needed to be classified and sorted, and we were responsible for establishing a database of offline retail stores and verifying the authenticity of the data, which could enable the distributors of Customer to accurately allocate resources based on different channel categories, such as stores, bars, karaoke boxes, cinemas, Internet cafe, tourist attractions, and demonstrate the latest activity of these offline retail stores.● Using the functions of <i>Site DNA</i>, we were responsible for creating a unified data tags system encompassing the surrounding facilities of offline retail stores.● We were also responsible for constructing a database of surrounding consumer group portraits, including consumers’ consumption power, and details of relevant offline retail stores, including tier of the cities where they are located in, the popularity of the business circle and the in-store information, and continuously improve the data accuracy in such database.

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Our major work steps	<p>(1) We first classified and sorted a number of independent data sources of offline retail stores provided by Customer. Meanwhile, we customised <i>Site DNA</i> to include data tag system which meets Customer’s requirements. Such unified data tag system encompassed surrounding facilities of offline retail stores as well. Then, we tagged raw data of offline retail stores with different channel category data tags, such as stores, bars, karaoke boxes, cinemas, Internet cafe, tourist attractions.</p> <p>(2) After classification, sorting and tagging, such data comprised a database with consistent data tags. Meanwhile, using filtering functions of <i>Site DNA</i>, Customer can obtain analysis of the offline retail stores, including market demographics, sales performance and purchasing power of surrounding population.</p>
Stakeholders involved	<p><i>Customer</i> — Brand owner</p> <p><i>Points of sale</i> — Data of over 6 million of offline retail stores had been verified, unified and consolidated into over 3.7 million of offline retail stores</p>
Digitalised tools involved and their application	<p><i>Site DNA</i> (customised version) is a data analytics tool which analyses market demographics and sales performance of offline retail stores and purchasing power of surrounding population using AI algorithm and BI based on data asset provided by our customers and users.</p>
Achievements and assessment	<ul style="list-style-type: none">● We charged fixed service fees with reference to number of points of sale, the data of which had been included in the database. There was no performance indicator stated in the service agreement.● Data of over 6 million of offline retail stores that was originally scattered in Customer’s different systems had been verified, unified and incorporated into our digitalised tool, the channel categories of the offline retail stores had been adjusted and the authentic activities of the underlying offline retail stores had been verified.● Completing the construction of a database containing data of over 3.7 million of offline retail stores

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OUR TECHNOLOGIES

Our FMES platform contains digitalised tools with different functionalities and data assets accumulated from our provision of services over the years. We utilise our digitalised tools to manage data collected during our daily operations and transform them into valuable data assets, which in turn facilitate our business process. As such, our digitalised tools enable us to manage our business processes, which include formulating implementation plans, managing implementation processes and collecting, verifying, processing and analysing data to produce data analytics.

During our daily operations, we collect and process fragmented and unorganised first-hand information relating to (i) sales and marketing performance by our and third-party marketers (including attendance and task completion records); (ii) consumer behaviours and feedback; and (iii) sales and purchase transactions data. Our marketer pool comprises marketers with different backgrounds, experiences and skill sets. For FY2022, the number of average monthly active marketers was over 23,900, spreading across more than 320 cities in 31 provinces/municipalities in China. In order to effectively manage performance of our marketers when they implement our services at offline retail stores/sales and marketing activities, we use a task-based management system. Typical examples of tasks include sales and promotion, assisting in marketing campaigns, in-store merchandise display, stock inventory management and other daily operations. For FY2022, the total number of tasks completed during the Track Record Period was over 683,000, and we have achieved a completion rate for tasks (which is calculated by dividing total number of tasks completed by total number of tasks published) of over 72%. In view of such volume of data, we need a reliable and scalable platform to support our provision of effective sales and marketing services. In particular, *MiJob Square*, being one of our flagship digitalised tools, facilitates easy task application for marketers, while also facilitating remote management of marketers and monitoring of task performance and status for us.

Meanwhile, our tasks and marketers matching service utilises big data and AI technologies to generate and continuously improve matching recommendations of marketers with tasks. Since different tasks at offline retail stores in different areas, which may have different target consumer groups, consumers’ behaviour and preference, merchandise variety, require marketers with different background, experience and skill sets, we believe we can enhance our ability in achieving better results (such as sales amount) using AI-generated matching recommendations.






Our FMES platform

Our provision of sales and marketing services is supported by our FMES platform, which contains digitalised tools with different functionalities covering the entire offline sales and marketing network and processes. Our digitalised tools are primarily designed for collecting data inputs and provided by customers and users when users utilise their functions, and such data is transmitted and retained as data assets on our FMES platform. These data assets, which may be collected from all of our digitalised tools, are then assigned with appropriate data tags, integrated and analysed using AI algorithms and BI and then labelled, customised and presented in a meaningful way to facilitate our customers in making data-driven strategic planning, implementation and evaluation. As at the Latest Practicable Date, we had eight major digitalised

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tools on our FMES platform, including *BrandKEY*, *Channel Station*, *Touchkit*, *Remotes*, *SMV*, *Site DNA*, *MiJob Square* and *eHR*. Main functions and details of our major digitalised tools are set out in the following table:

Our digitalised tools	Main functions	Launch year
<i>BrandKEY</i> 	<p>Integrated offline commerce management platform</p> <p><i>BrandKEY</i> contains tools that help manage offline operations, including organisational and agency management, budget and resources management, project implementation and performance evaluation, document control. It is an open platform that can be connected to other systems or software. As such, it enables systemisation of data collected from different parties or extracted from various software and maximises the accessibility and sharing of data and information.</p>	2017
<i>Channel Station</i> 	<p>Integrated digitalised storefront</p> <p>Focusing on connecting distributors and offline retail stores, our customers can arrange their distributors to set up their digitalised storefronts using <i>Channel Station</i> to display merchandise and release marketing events and promotions, while point of sale users can place orders directly with distributor users, by digitalising the order placing processes.</p>	2021
<i>Touchkit</i> 	<p>Integrated tasks management platform</p> <p>Focusing on connecting our customers with marketers who are dispersedly located in China. Via <i>Touchkit</i>, our customers can (i) publish and manage marketing tasks, such as assisting with sales and marketing campaigns, in-store merchandise display, stock inventory management and other daily operations; (ii) timely manage and supervise marketers and their performance and provides intelligent matching recommendations of marketers with marketing tasks based on our data assets; and (iii) manage and oversee relevant offline retail stores and their sales performance.</p>	2019
<i>Remotes</i> 	<p>Sales and marketing project management tool</p> <p><i>Remotes</i> primarily caters for the collaboration between us and our customers and their service providers in the management of implementation of our customised marketing solution and is used for publishing tasks. It contains a set of integrated tools for real-time project management, tasks publication and management and internal communications.</p>	2013
<i>SMV</i> 	<p>On-site visit task tool</p> <p>Principally designed to help cross-check the effectiveness of sales and marketing projects, <i>SMV</i> is used for identifying red flags of offline retail stores. Our customers can use <i>SMV</i> to arrange scheduled on-site visits at designated offline retail stores and report any red flags. Main functions of <i>SMV</i> also include submission of feedback of on-site visit tasks and management of such tasks.</p>	2020

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Our digitalised tools	Main functions	Launch year
<i>MiJob Square</i> 	Public connector of marketers As the public connector facing marketers, <i>MiJob Square</i> is a WeChat Official Account on which users can apply for tasks published by our customers via <i>Touchkit</i> or <i>Remotes</i> and conveniently revert task completion and other feedback to our customers.	2013
<i>Site DNA</i> 	Offline retail stores analytics tool Data analytics tool which enables data-driven decision-making through analysing sales performance of offline retail stores and spending power of surrounding population using AI algorithm and BI using our database, which encompasses data assets provided by our customers and data transmitted through FMES platform, as well as “Offline Retail Stores Digital Evaluation and Sales Performance Index” Feature Library (「終端數字化評估與賣力指數」特徵庫) jointly developed by us and Baidu Smart Cloud (百度智能雲), a leading AI company based in the PRC.	2021
<i>eHR</i> 	Digital employment contract and human resources management tool Digital employment contract and human resources management tool primarily helps minimise human resources-related manual work to reduce chances of clerical errors and administrative effort and enables us to continuously manage the employment records of staff. Main features of <i>eHR</i> include user identity verification, automatically generated digital employment contracts and a wide range of human resources management functions, such as calculating and maintaining records of payment of salaries and benefits.	2019

Apart from the major digitalised tools listed above, we have three additional digitalised tools that are ancillary in nature, namely *Lucky Radar*, *One Shop One Code* and *Star Authenticity Verification*.

Our research and development

Our FMES platform represents the lifeblood of our business. Recognising that technology and the internet are transforming offline commerce and in response to the challenges that our customers were experiencing as a result of ineffective connection, postponed feedback and incohesive sales and marketing initiatives when working with traditional offline sales and marketing agencies, we started to digitalise our business process in 2012. Benefitting from the digitalisation budgets of our market-leading customers, we launched *Remotes* and *MiJob Square* in 2013, which comprises part of our FMES platform. Since then, in order to cater for our customers’ evolving sales and marketing needs and help our customers optimise their offline retail processes, we have continued to expand the functionalities of our digitalised tools to provide technological support to our service offerings. During the Track Record Period and up to the Latest Practicable Date, we have launched over 1,000 updates or new features that cater to the evolving needs of our customers, for example (i) *Touchkit* has upgraded its business weekly report (sales side) to enable our customers to review sales performance of their offline retail stores in a timely manner; (ii) *Channel Station* has included new functions to (a) hide discontinued products; and (b) automatically review application for displaying new products; (iii) *MiJob Square* has included a new function to enable signing of digital contracts with marketers and to classify tasks. During each year of the Track Record Period, we incurred R&D expenses of RMB11.7 million, RMB12.2 million and RMB25.0 million, representing 2.8%, 2.9% and 4.0% of our revenue, respectively.

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We attach great importance to product R&D and technological advancement. Currently, we have R&D teams in Shanghai, Beijing, Guangzhou and Dalian. We have also established a strategic cooperation relationship with Baidu Smart Cloud (百度智能雲), a leading AI company based in the PRC, under which Baidu Smart Cloud uses its AI, big data and cloud computing and other technologies to assist us in the construction of digitalised sales and marketing platforms and to jointly build a “SaaS+ offline digitalised marketing” business model with us, with a view to increasingly create value for brand owners and distributors. Furthermore, Baidu Smart Cloud provides its AI technology to assist us in the development of “Offline Retail Stores Digital Evaluation and Sales Performance Index” Feature Library (「終端數字化評估與賣力指數」特徵庫). Such Feature Library represents a digital database containing information on evaluation, historical sales performance and potential market size of offline retail stores. Based on such Feature Library and facing the consumer goods brands in the PRC domestic market, it is expected to realise digital transformation of retail outlets, number of visits and display/sales and marketing/writing-off of mutual customers of Baidu Smart Cloud and us, and to ultimately promote growth in both sales and profit of consumer goods brand owner customers. Currently, such Feature Library forms part of our database, a data analytics tool to help our customers grasp the demographics and spending power of target consumer groups that our network covers in China. Pursuant to the cooperation agreement with our strategic partner, any data or information collected as the result of the cooperation shall be kept confidential. Furthermore, we signed an industry-university-research strategic cooperation agreement with the School of Economics and Management of Dalian University of Technology for a period of three years from 2021, which can be automatically renewed for another three years. This cooperation enables us to form a research and consulting team with the university and build on academic research strengths. In addition, the university may provide training courses to enhance our staff’s technical knowledge and research ability. On the other hand, we provide internship and graduate opportunities to students of the university. Meanwhile, the university may, according to its needs, engage our technicians and management who have business and practical experience as internship instructors.

As at the Latest Practicable Date, our FMES platform and digitalised tools were premised and deployed on cloud service providers. In addition, our user data was stored in several virtual private clouds operated by cloud service providers, which were isolated clouds that are segregated from public cloud and hosted within a public cloud environment and accessed exclusively by us for security purpose.

Premised on our reliable IT infrastructures, we have accumulated extensive experience in, and are dedicated to, researching and developing digitalised tools which support our provision of services using AI algorithm and big data technology, as well as observing data security and privacy. We invest heavily in our technology infrastructures, which is critical to allowing us to efficiently and effectively address the technical challenges associated with our business. Our R&D initiatives include:

- ongoing development of end-to-end and comprehensive services for offline commerce to cater for demands for SaaS+ subscription of brand owners, distributors, points of sale, marketers;
- in-depth research on sales and marketing services supported by digitalised tools in industry verticals, such as maternal and infant, traditional retail and catering industries;
- ongoing optimisation of algorithms and big data applications, such as a recommendation algorithm regarding points of sale, marketers and others, a matching algorithm, standardisation algorithm and an evaluation algorithm;

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- strengthened application of AI and BI technology, mainly including physical retail AI certification, new customer and user authentication, AI recognition and automatic assignment of data tags to points of sale and marketers and BI data-driven decision-making system;
- application of blockchain technology to online and offline business scenarios to ensure authenticity and trustworthiness of data and to realise the benefits of data and information sharing, while observing data privacy and security;
- based on the highly modular system component design ideas, develop a low-code R&D platform that can efficiently and effectively respond to our customers’ needs in a cost-effectively manner; and
- improve our capacity to develop SaaS and platform-as-a-service (PaaS) and cooperate with external parties and developers to build a cloud-based sales and marketing platform.

As at 31 December 2022, our innovation centre team, which was responsible for innovation and R&D, had 50 R&D staff and was headed by Mr. Cui Yanan, our technical controller, who had over 16 years of experience in technology development. For details on biography of our technical controller, see “Directors and Senior Management — Senior management” in this document. We also vigorously cultivate computer engineering experts and data analysts through recruitment, promotion and training to further improve our technical advantages. Leveraging our strong R&D and technical enhancement capabilities, we have achieved recognised R&D results. As at the Latest Practicable Date, we had 84 software copyrights registered in the PRC which we consider to be material or may be material to our business.

Our R&D process has been continuously driven by the evolving market, demands from customers and users, and innovation from our management and R&D team. We encourage our employees to maintain close communications with our customers to understand their needs and provide our R&D team with autonomy and freedom to explore and develop new functionalities. After completing the project initiation and development stage, we conduct internal tests to resolve any major technological issues and bugs that may exist in the test version. After launch, we continuously monitor and analyse system performance and continue to optimise system functions and performance. We had not experienced any material service disruptions during the Track Record Period and up to the Latest Practicable Date.

OUR SERVICE NETWORK AND MARKETERS

Our Service Network

Our service network has an extensive coverage in terms of scale of customers, geographical locations and types of tasks. Most of our services, in particular customised marketing solution, tasks and marketers matching service and marketers assignment service, require marketers to assist in and attend to on-site implementation of our services. As at the Latest Practicable Date, we achieved coverage of more than 320 cities in 31 provinces/municipalities in China.

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The number of marketers who have registered for the use of our digitalised tool increased from over 331,400 as of 31 December 2020 to over 453,000 as of 31 December 2022, with the number of average monthly active marketers increased from over 16,200 as of 31 December 2020 to over 23,900 as of 31 December 2022. In the context of our business operations, we categorise our marketers into (i) employee marketers, who have employment relationship with us and are assigned to work for our customers under customised marketing solution or marketers assignment service; and (ii) third-party marketers, who do not have any employment or contractual relationship with us and are engaged in customised marketing solution or tasks and marketers matching service. As of 31 December 2022, we had (i) 4,399 employee marketers who worked for our customised marketing solution projects; and (ii) over 3,917 employee marketers who worked for our marketers assignment service projects.

Our strong and expanding marketer pool creates network effect that helps us expand our customer base, while the expansion of our customer base brings higher task volume. Such higher task volume allows us to motivate marketers to stay active with us and attract more marketers with diverse background and skill sets, which in turn strengthens our capability to match a more suitable marketer for a particular marketing task. Improved task matching capability enables us to enhance our service quality.

Relationship with employee marketers

Employee marketers refer to marketers having an employment relationship with us and are assigned to work for our customers under customised marketing solution or marketers assignment service. Each of the employee marketer is assigned to a designated project according to his/her working experiences and skill sets and thus, stations at a designated offline retail store, which allows continuity and consistency of such position. Generally, there is no overlapping service provided by our employee marketers as each of them is recruited for and assigned to a designated project. Their remuneration includes fixed monthly salaries, which are subject to actual attendance, and performance-based commissions, which are typically calculated based on stipulated performance indicators, such as sales performance of the offline retail store or sales amount of a particular merchandise.

We are responsible for calculating salaries and benefits (including social insurance and housing provident fund) of employee marketers according to their employment contract signed with us. Then, we submit the calculations to our customers for their approval. Upon customers’ approval of the calculation, we are responsible for making payments of salaries and benefits to employee marketers. In some cases where we do not have a subsidiary established in a particular province or city, we may make contributions of social insurance and housing provident funds through third-party human resources agencies for those relevant employee marketers. For details, see “Risk Factors — Risks Relating to Our Business — We used third-party agencies to make contributions under various government-sponsored employee benefits plans, which may have an adverse impact on us.” and “Business — Employees”.

Although terms regarding specific job arrangements may vary case-by-case depending on the requirements of our customers, we generally adopt a standard employment contract with employee marketers to streamline the onboarding procedures and to allow efficient deployment. Depending on the nature of the positions and responsibilities, we may enter into confidentiality agreements, which safeguard our customers’ interest and confidential information, and/or non-competition agreements, which prohibits the employee marketers to join our customers’ competitors or engage in business similar to our customers during their employment period with us. With respect to employee marketers under customised marketing solution and marketers assignment service, we are entitled to terminate the employment of our employee marketers with written prior notice under circumstances specified in the contracts. With respect to employee marketers under marketers assignment service, our customers have the right to request for replacement of any employee marketers who fails to fulfil his/her responsibilities with due care or is incompetent at work.

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Relationship with third-party marketers

Third-party marketers refer to marketers that do not have any employment or contractual relationship with us. We enter into service agreements with labour service suppliers, who engage marketers as their employees or contractors. We do not directly pay third-party marketers. Instead, we enter into service contracts with labour service suppliers and pay them service fees, which in turn make payments of salaries/service fees to third-party marketers. Since third-party marketers do not have any employment relationship with us, they can choose whether or not to apply for tasks published on our platform. However, third-party marketers are required to abide by service standards as stated in the tasks once they have accepted the same. Our third-party marketers allow us to flexibly cope with our customers’ ad-hoc service demands. During the Track Record Period, third-party marketers were primarily engaged in our customised marketing solution and tasks and marketers matching service projects. On a few occasions, we may engage third-party marketers in our marketers assignment service projects. Accordingly, third-party marketers providing overlapping services under different service types is possible.

Pursuant to our service agreements entered into with labour service suppliers which have the employment relationship with the third-party marketers, these labour service suppliers are required to enter into employment contracts with third-party marketers and make social insurance and housing provident funds contribution and are liable for (i) any property or other damage caused to the offline retail stores; (ii) any personal injury or property loss to our customers or any third parties; and (iii) any disputes between labour service providers and third-party marketers, including but not limited to labour disputes, work-related injury disputes, social insurance disputes and wage disputes.

On the other hand, pursuant to our service agreements entered into with labour service suppliers which have non-employment contractual relationship with the third-party marketers, these labour service suppliers are required to settle service fees and declare relevant tax for the third-party marketers. Since our contracts with labour service suppliers which have such non-employment contractual relationships with the third-party marketers are silent on matters relating to any loss of life, injury or property damage caused by the third-party marketers while they are working for our customers under our assignment, we could be subject to the risks in respect of the same. Given such third-party marketers have no direct employment or contractual relationship with us, as advised by our PRC Legal Adviser, we are not liable to third-party marketers if the labour service providers fail to fulfil their duties to these third-party marketers. However, since the third-party marketers generally work at the premises designated by our customers, despite the fact that we do not have any direct employment or contractual relationship with these third-party marketers, if the third-party marketers cause any loss of life, injury or property damage while working for our customers, we may be subject to legal or financial liability because, in practice, depending on the particular circumstances of each case, our Company may be found by the court to be liable under the PRC laws for any direct or indirect action or inaction of our Company contributing to any loss of life, injury or property damage (such as the Company being at fault in giving directions, in selecting appropriate third-party marketers, or in failing to provide adequate advice to them). In case any third-party marketer initiates a lawsuit, arbitration or claim against us, we may initiate a similar lawsuit, arbitration or claim against our customers or suppliers depending on the nature and background of such lawsuit, arbitration or claims. With a view to mitigating our risks exposures, we have established control measures to assess risks and determine whether to purchase insurances, such as third-party liability insurance, exhibition insurance, accident insurance, etc., for different projects having considered different customers’ requirements and would generally require our labour service suppliers (i.e. suppliers which provide us with third-party marketers) to purchase such insurances. We only purchased insurance upon our customers’ specific instructions during the Track Record Period and our Directors are of the view that such arrangement is in line with the market standard. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any claims made by or for third-party marketers in relation to loss of life, injury or property damage while they were working for our customers under our assignment.

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Marketer management

Assigning a suitable marketer to tasks

We select and assign suitable marketers to different projects after having considered a number of factors, including, among others, the nature of our services, customers’ demands, coverage and risk control. In light of our control of employee marketers, we assign employee marketers to designated customised marketing solution or marketers assignment service projects and they would station at designated offline retail stores, thereby providing stable workforce for our customers. We believe our employee marketers could better and more comprehensively serve our long-term projects. On the other hand, due to the flexibility of third-party marketers, we assign them to certain customised marketing solution projects which do not require stable workforce and tasks and marketers matching service projects. As we do not have any employment relationship with third-party marketers, their service fees are calculated based on number of completed tasks and we are not required to pay for their ongoing base salary or other employment-related benefits. Accordingly, cost of third-party marketers is generally lower than that of employee marketers.

Daily management of marketers

We manage large amount of marketers who are dispersedly located in more than 320 cities in 31 provinces/municipalities in China, as well as process in our daily operations fragmented and unorganised first-hand sales-related and consumer-related information input by marketers. In order to efficiently manage and monitor the performance of marketers and effectively process data in daily operations, we rely on our digitalised tool, namely *MiJob Square*, and task-based management system. *MiJob Square* is a platform on which marketers can apply for tasks and revert task completion and other feedbacks. Each marketer is required to undergo a personal identity verification, including uploading self-portrait and other identification details, and screening process before becoming a user on our platform and abide by our service standards. Marketers can access a list of available tasks and apply for any suitable tasks. Typical examples of tasks include sales and promotion, assisting in marketing campaigns to interact with and/or attract new potential consumers, in-store merchandise display, stock inventory management and other daily operations. The application for tasks is subject to our customers’ approval and successful marketers will be led to a digital contract signing site. Having taken up the task, marketers are required to report their work progress using *MiJob Square*. For example, they are required to upload a self-portrait when they arrive at work and input performance-related data, such as units of merchandise sold, units of promotional gifts distributed, amount of stock inventory and number of display shelves organised, with photos taken using built-in camera function of *MiJob Square* as supporting evidence. The built-in camera function ensures photos submitted as supporting evidence would not be edited by third-party marketers.

Managing performance of marketers

In order to monitor and incentivise our marketers, their remuneration (in the form of salaries for employee marketers, and service fees stated in tasks for third-party marketers) includes, among others, performance-based commissions which are typically calculated based on stipulated performance indicators, such as sales performance of the offline retail store or sales amount of a particular merchandise. With respect to employee marketers, we are entitled to terminate our employment with them if he/she (i) does not meet the employment conditions during the probationary period, including but not limited to failing training assessment; (ii) is absent from work for 3 consecutive days or 5 days in total; (iii) falsely reports sales data or falsely reports work records such as attendance; or (iv) commits any other serious violation of our internal rules and regulations. Meanwhile, for employee marketers under marketers assignment service, we have no control/discretion over the daily performance of the employee marketers. Although the services provided by us under marketers assignment service, such as recommendations on recruitment and trainings,

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may indirectly affect the performance of employee marketers, and therefore sales performance, and in turn our performance-based revenue, such services are only provided upon customer’s approval and major decisions in relation to the employment, level of salaries, daily performance and work schedule and dismissal of the employee marketers are generally made by our customers. If our customers consider that any employee marketer assigned by us being unsatisfactory, our customers have the right to request for replacement and we are responsible for providing suitable candidates for our customer as replacement.

Performance of marketers can be adversely affected by a number of factors, such as aptitude, skill level, motivation level of tasks and remuneration, or role perceptions, some of which may be beyond our control. In order to minimise our exposure to the risks, we have adopted the following measures:

- (i) marketers are selected with reference to historical performance of marketers at particular offline retail stores, such data of which is tagged against to particular marketer and has been accumulated from our provision of services over the years; and
- (ii) we collect data on sales performance of the offline retail stores and based on the data collected, we continuously monitor whether our customers’ sales target(s) (or other performance indicator(s)) could be achieved. In case the sales performance (or other performance indicators) falls short of our customers’ expectations, we could proactively adjust the allocation of marketers with the aim to achieving the sales target(s) (or other performance indicator(s)) before the end of the contract/project terms.

Marketer care

We value the personal development of marketers and assist them to improve and broaden their skill sets. We provide marketers with training videos and follow-up quizzes, so that he/she can have a better picture on how to satisfactorily fulfil their task duties and our customers’ expectations. Also, *MiJob Square* assists marketers in managing their own schedules, such as requesting for change of duty, overtime work and leave. Last but not least, marketers may personalise his/her account with respect to industry (such as personal care, food and beverage and internet and technology industry), task nature and geographical location for performance of the tasks.

We place emphasis on promoting corporate social responsibility and sustainable development and integrate it into all major aspects of our business operations. We have put in place the occupational health and safety of our employees and held ourselves responsible for preventing occupational injuries. We value marketers as well as customers and endeavour to build a friendly and sustainable environment for marketers. We enhance marketer satisfaction with their working conditions through improved marketer care focusing on safety and welfare.

To ensure occupational health and safety of our marketers while they work outdoor or on-site and participate in other special activities, we have implemented safety management system and safety precautions and enter into safety agreements with our customers and/or suppliers to set out clearly the safety responsibilities and bearing of liabilities during the performance of the contract. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents, claims for personal or property damage or compensation to employees and we did not experience any material non-compliance of health and work safety.

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OUR CUSTOMERS

Overview

Leveraging our proven track record and service quality, we have acquired a positive market reputation for providing our services and accumulated a solid customer base. For FY2020, FY2021 and FY2022, we had a total of 57, 59 and 166 customers, respectively, including brand owners and distributors and a majority of them engage in the FMCG industry, such as daily commodities, food products and beverage and consumer electronics. If an offline retail operation involves a large number of broadly dispersed offline retail stores and marketers, brand owners (i.e. refer to those who own the intellectual property rights or brand labels of the merchandise, who may be a manufacturer or retailer) and distributors (i.e. those who buy merchandise from brand owners and sell the merchandise to offline retail stores) might find it expensive to deploy sufficient marketers and time-consuming to monitor and assess the performance of each and every offline retail store and marketer using traditional methods. Therefore, brand owners and distributors engage us to provide on-site sales and marketing solutions and implement sales and marketing activities which are mainly carried out at offline retail stores.

According to the Frost & Sullivan Report, brand owners own the proprietorship of the merchandises and sell their merchandises to distributors (i.e. wholesalers and/or retailers), whereas distributors purchase merchandise from brand owners directly and usually on-sell to their downstream distributing channels (i.e. retailers) and/or end-customers. The aims, scale, and methods of the marketing campaigns of brand owners and distributors differ. While the marketing campaign of brand owners mainly focuses on brand building and education of products at brand level and a national level which may in turn indirectly facilitate sales of merchandise through distributors, distributors mainly focus on increasing sales directly through carrying out marketing activities in their respective sales region and stores.

Although distributors may conduct marketing campaigns directly from time to time, distributors may not be able to conduct sales and marketing activities as efficiently and effectively as we do, due to the following inherent differences between us and distributors: (i) we are specialised and experienced in providing sales and marketing services over years of conducting marketing campaigns for various market-leading FMCG brand owners, while distributors specialise in distributing products and may not possess our expertise in sales and marketing services; (ii) we have a large pool of marketers and is capable of assigning a large number of marketers at the same time for marketing activities, while distributors may have limited number of personnel in conducting sales and marketing activities; and (iii) we set up venue and source event material for sales and marketing campaigns as part of our services, while distributors normally do not engage in providing such services. Accordingly, our Directors believe that given the business nature of our Group and distributors of brand owners are different, the extent of competition between us and distributors is limited. This also explains why our customer portfolio also includes distributors who engage us for our marketing services.

Furthermore, generally, brand owners require consistent marketing strategies for their merchandise across different regions served by different distributors. Therefore, for consistency in implementing marketing strategies, brand owners may engage a single or a few sales and marketing service providers to manage their marketing strategies in different regions, instead of engaging a number of distributors that are scattered across various regions.

A majority of our brand owner customers and top five customers in each year of the Track Record Period are Fortune Global 500 companies, Top 500 Enterprises of China companies and/or otherwise market-leading FMCG brand owners in the PRC and/or have global presence. For FY2022, we had 32 market-leading customers, including most of our top five customers in each year of the Track Record Period and some other customers.

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Terms of our customer service agreements

During the Track Record Period, we generally entered into framework agreements or fixed-term agreements with our customers. Our customised marketing solution and marketers assignment service projects awarded to us were typically on an as-needed basis. During the Track Record Period, there was no material breach of any of the service agreements entered into with our customers. The following table provides a general summary of the terms of the service agreements entered into with our customers in respect of different services provided by us:

	Customised marketing solution	Tasks and marketers matching service	Marketers assignment service	SaaS+ subscription
Range of term	In general, we enter into framework agreements with our customers. When our customers have the actual need for customised marketing solution, our customers would place purchase order and/or enter into separate project agreements with us. Framework agreements have a term which ranged from one year to two years, while the events/projects under the purchase orders/single project agreements have varied duration, ranging from three days to over one year during the Track Record Period.	In general, we enter into fixed-term agreements with our customers, the term of which ranged from less than a month to three years during the Track Record Period.	In general, we enter into fixed-term agreements with our customers, the term of which ranged from two months to three years during the Track Record Period. We may also enter into framework agreements with our customers.	In general, we enter into fixed-term agreements with our customers with terms varied depending on whether customisation is needed. During the Track Record Period, our SaaS+ subscription agreements had terms ranged from one week to two years.
Major components of our fees	Fixed service fees	(i) Performance-based fees; and/or (ii) Fixed fees including service and/or system fees	(i) Fixed service fees; and (ii) Employee marketers' salaries, benefits and disbursements as reimbursements to us	Fixed service and/or subscription fee
Billing arrangement	Project basis (after project completion or based on project milestone)	Monthly basis	Monthly basis	Project basis (after project completion or based on project milestone)
Credit term	6–186 days	0–170 days	7–180 days	30–120 days
IP rights ownership	Our customers	Our customers	Our customers	Our customers
Confidentiality	Yes	Yes	Yes	Yes

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Exclusivity

Generally, we are not subject to any exclusivity in our provision of services. Nonetheless, during the Track Record Period, there were a few projects under which we may be subject to exclusivity during the contract period and are prohibited to provide similar services to competitors of our customers.

Termination clause

Generally, our agreements with customers may be terminated by us or our customers by prior written notice pursuant to the terms stipulated in the relevant agreement.

IP rights ownership

During the Track Record Period, we did not enter into any licence agreement in relation to the IP rights owned by our customers. In general, our customers agree that we may use their IP rights within the scope of the performance of our service agreements with them reasonably and appropriately. In case SaaS+ subscription involves digitalised tools specially designed and customised by us for our customers, the copyright and all legal rights of the digitalised tools, including but not limited to any data, reports, results and any content therein, exclusively belong to our customers.

Confidentiality

For data and IP rights provided to us by our customers during our provision of services, such as business operational data, financial data and consumer contact details, we are contractually bound to use the customer data exclusively for the provision of our services while keeping such customer data confidential and not to disclose such data to any third parties. Upon completion of projects with our customers, we return all documents, data and software containing such confidential information or delete such data pursuant to our customers’ instructions. Such confidentiality obligations exclude (a) public information at the time of disclosure; (b) data for which we have access before disclosure to us by our customers; and (c) any disclosure of such confidential information pursuant to applicable laws, if before such disclosure, we have informed our customers in writing the confidential information to be disclosed and the relevant circumstances.

Our top five customers

During the Track Record Period, our top five customers include brand owners engaging in the FMCG industry, such as daily commodities, food products and beverage and consumer electronics. For each year during the Track Record Period, revenue from our five largest customers amounted to RMB269.2 million, RMB250.4 million and RMB438.7 million, representing 65.2%, 60.2% and 71.0% of our total revenue, respectively. For each year during the Track Record Period, our revenue from our largest customer amounted to RMB71.2 million, RMB81.2 million and RMB166.8 million, representing 17.2%, 19.5% and 27.0% of our total revenue, respectively. As we derived a significant portion of our revenue from our top five customers in each year of the Track Record Period, we are exposed to the risk of concentration of our major customers. For details, see “Business — Our customers — Customer concentration” and “Risk Factors — We derived a significant portion of our revenue from our major customers and we are exposed to the risk of concentration of our major customers during the Track Record Period.” To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest customers (including their respective ultimate shareholders).

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For the year ended 31 December 2020

Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue <i>RMB'000</i>	% of total revenue %
1	Customer B	Customised marketing solution and marketers assignment service	<p>Customer B is a group of PRC entities primarily engaging in sales of daily commodities (including personal health care, oral care, textile care and home care).</p> <p>The parent company of Customer B is a global leader in the FMCG industry focused on providing branded consumer packaged goods in approximately 180 countries and territories through online and offline channels. The shares of the parent company of Customer B are listed on the New York Stock Exchange with a net sales of around USD71.0 billion for FY2020. The market cap of which was USD359.2 billion as at 31 December 2022.</p>	2008	75–120 days	Bank transfer	71,187	17.2
2	Customer E	Customised marketing solution	<p>Customer E is a private PRC entity primarily engaging in the arrangement of large-scale promotional events for its clients regarding a variety of products (such as consumer electronics, cosmetics, daily necessities, etc.). It had a registered capital of RMB25.0 million.</p>	2015	126–186 days	Bank transfer	68,507	16.6
3	Customer C	Customised marketing solution	<p>Customer C is a private PRC-based multinational technology corporation. It is a global provider of information and communications technology (ICT) infrastructure and smart device, specialising in design, development and sales of consumer electronics (including smartphones, PCs, tablets, wearables, headphones, display monitors, routers and accessory products) and provision of mobile Internet services. The company within the customer's group which had the most frequent business relationship with us had a registered capital of RMB44.7 billion.</p>	2016	30 days	Bank transfer	61,838	15.0

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Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue <i>RMB '000</i>	% of total revenue %
4	Customer A	Customised marketing solution and marketers assignment service	<p>Customer A is a private PRC entity primarily engaging in sales of food products. It had a registered capital of USD91.5 million.</p> <p>The parent company of Customer A is a FMCG multinational corporation and the world’s leading manufacturer of chocolate, chewing gum, mints and fruity confections. Such corporation specialises in the production confectionery, pet food and other food products.</p>	2009	120 days	Bank transfer	38,303	9.3
5	Customer F	Customised marketing solution, tasks and marketers matching service and marketers assignment service	<p>Customer F is a group of PRC entities primarily engaging in the sales of daily commodities and food products.</p> <p>The parent company of Customer F is a FMCG multinational corporation having over 400 brands in 190 countries. Its daily commodities and food products are categorised into (i) beauty & personal care (which primarily included sales of skin cleansing, hair care, skin care and deodorants categories); (ii) foods & refreshment (which primarily included sales of ice cream, savoury, dressings and tea categories); and (iii) home care (which primarily included sales of fabric category and a wide range of cleaning products). The shares of the parent company of Customer F are listed on the London Stock Exchange with a turnover of around EUR50.7 billion for FY2020. The market cap of which was USD127.5 billion as at 31 December 2022.</p>	2017	120 days	Bank transfer	29,335	7.1
Total:							<u><u>269,170</u></u>	<u><u>65.2</u></u>

BUSINESS

For the year ended 31 December 2021

Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue <i>RMB '000</i>	% of total revenue %
1	Customer B	Customised marketing solution and marketers assignment service	<p>Customer B is a group of PRC entities primarily engaging in sales of daily commodities (including personal health care, oral care, textile care and home care).</p> <p>The parent company of Customer B is a global leader in the FMCG industry focused on providing branded consumer packaged goods in approximately 180 countries and territories through online and offline channels. The shares of the parent company of Customer B are listed on the New York Stock Exchange with a net sales of around USD76.1 billion for FY2021. The market cap of which was USD359.2 billion as at 31 December 2022.</p>	2008	120–180 days	Bank transfer	81,235	19.5
2	Customer E	Customised marketing solution	<p>Customer E is a private PRC entity primarily engaging in the arrangement of large-scale promotional events for its clients regarding a variety of products (such as consumer electronics, cosmetics, daily necessities, etc.). It had a registered capital of RMB25.0 million.</p>	2015	186 days	Bank transfer	66,509	16.0
3	Customer G	Customised marketing solution, tasks and marketers matching service, marketers assignment service and SaaS+ subscription	<p>Customer G is a PRC entity primarily engaging in the sales of daily commodities, focusing on products mostly made from natural or synthetic fibres using technologies in fibres, non-wovens and absorbency.</p> <p>The parent company of Customer G is a FMCG multinational corporation, which is a global leader in indispensable daily commodities (including personal health care products, household paper and consumer products) in more than 175 countries. The shares of the parent company of Customer G are listed on the New York Stock Exchange with a net sales of around USD19.4 billion for FY2021. The market cap of which was USD45.8 billion as at 31 December 2022.</p>	2016	90 days	Bank transfer	36,083	8.7

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Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue RMB '000	% of total revenue %
4	Customer F	Customised marketing solution, tasks and marketers matching service and marketers assignment service	<p>Customer F is a group of PRC entities primarily engaging in the sales of daily commodities and food products.</p> <p>The parent company of Customer F is a FMCG multinational corporation having over 400 brands in 190 countries. Its daily commodities and food products are categorised into (i) beauty & personal care (which primarily included sales of skin cleansing, hair care, skin care and deodorants categories); (ii) foods & refreshment (which primarily included sales of ice cream, savoury, dressings and tea categories); and (iii) home care (which primarily included sales of fabric category and a wide range of cleaning products). The shares of the parent company of Customer F are listed on the London Stock Exchange with a turnover of around EUR52.4 billion for FY2021. The market cap of which was USD127.5 billion as at 31 December 2022.</p>	2017	120 days	Bank transfer	33,317	8.0
5	Customer H	Customised marketing solution, tasks and marketers matching service, marketers assignment service and SaaS+ subscription	<p>Customer H is a group of PRC entities primarily engaging in the sales of food products (such as chips, nuts and other casual snacks) and beverage.</p> <p>The parent company of Customer H is a FMCG multinational corporation, which a global leader in convenient foods and beverages and its product portfolio includes a wide range of enjoyable foods and beverages, including many iconic brands that generate more than USD1 billion each in estimated annual retail sales. The shares of the parent company of Customer H are listed on NASDAQ with a revenue of around USD79.5 billion for FY2021. The market cap of which was USD248.9 billion as at 31 December 2022.</p>	2013	60 days	Bank transfer	33,301	8.0
Total:							<u>250,445</u>	<u>60.2</u>

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For the year ended 31 December 2022

Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue <i>RMB '000</i>	% of total revenue %
1	Customer D	Customised marketing solution, tasks and marketers matching service and marketers assignment service	Customer D is a group of PRC entities primarily engaging in the sales of infant products (including toys and dairy products). It had a registered capital of USD36.0 million. The parent company of Customer D is a subsidiary of an Asia-Pacific-based global investment firm based in PRC.	2014	90 days	Bank transfer	166,757	27.0
2	Customer A	Customised marketing solution, tasks and marketers matching service and marketers assignment service	Customer A is a private PRC entity primarily engaging in sales of food products. It had a registered capital of USD91.5 million. The parent company of Customer A is a FMCG multinational corporation and the world's leading manufacturer of chocolate, chewing gum, mints and fruity confections. Such corporation specialises in the production confectionery, pet food and other food products.	2009	120 days	Bank transfer	85,954	13.9
3	Customer B	Customised marketing solution, tasks and marketers matching service and marketers assignment service	Customer B is a group of PRC entities primarily engaging in sales of daily commodities (including personal health care, oral care, textile care and home care). The parent company of Customer B is a global leader in the FMCG industry focused on providing branded consumer packaged goods in approximately 180 countries and territories through online and offline channels. The shares of the parent company of Customer B are listed on the New York Stock Exchange with a net sales of around USD76.1 billion for FY2021. The market cap of which was USD359.2 billion as at 31 December 2022.	2008	120–180 days	Bank transfer	80,317	13.0

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Rank	Customer	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Revenue RMB '000	% of total revenue %
4	Customer G	Customised marketing solution, tasks and marketers matching service, marketers assignment service and SaaS+ subscription	Customer G is a PRC entity primarily engaging in the sales of daily commodities, focusing on products mostly made from natural or synthetic fibres using technologies in fibres, non-wovens and absorbency. The parent company of Customer G is a FMCG multinational corporation, which is a global leader in indispensable daily commodities (including personal health care products, household paper and consumer products) in more than 175 countries. The shares of the parent company of Customer G are listed on the New York Stock Exchange with a net sales of around USD19.4 billion for FY2021. The market cap of which was USD45.8 billion as at 31 December 2022.	2016	60–120 days	Bank transfer	57,591	9.3
5	Customer E	Customised marketing solution	Customer E is a private PRC entity primarily engaging in the arrangement of large-scale promotional events for its clients regarding a variety of products (such as consumer electronics, cosmetics, daily necessities, etc.). It had a registered capital of RMB25.0 million.	2015	186 days	Bank transfer	48,070	7.8
Total:							438,689	71.0

Customer concentration

A significant portion of our revenue was derived from a limited number of major customers during the Track Record Period. For each year during the Track Record Period, the revenue derived from our top five customers contributed to RMB269.2 million, RMB250.4 million and RMB438.7 million, representing 65.2%, 60.2% and 71.0% of our total revenue, respectively.

Established relationship with major customers

During the Track Record Period and up to the Latest Practicable Date, all of our major customers have entered into framework or long-term agreements with terms not less than one year with us. During the term of such framework agreements, our major customers may place purchase orders and/or enter into separate project agreements with us on an as-needed basis. As such, our major customers are not obliged to continue to engage us in subsequent projects on terms favourable to us and/or at a level comparable to the past or at all. There is no guarantee that we will be able to maintain our current business relationship with

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our major customers in the future. Our Directors consider that the entering of such framework or long-term agreements demonstrated the mutual and well established relationship with our major customers, most of which are multinational FMCG brand owners. Especially multinational brand owners, these large enterprises normally adopt strict and multiple criteria supplier selection procedures because they attempt to concentrate and specialise on their core competencies, and they are willing to establish a long-term business relationship with their qualified suppliers.

As of the Latest Practicable Date, we have maintained a business relationship of five to 14 years with each of our top five customers, details of which are set out in “Business — Our customers — Our top five customers”. To the best knowledge of our Directors, all of our top five customers in the Track Record Period are Independent Third Parties. Over the past years, we have endeavoured to accommodate our major customers’ demands, gaining their satisfaction in our services and thus, resulting in them being our major customers. To the best knowledge, information and belief of our Directors, we understand that our major customers were in general satisfied with our services, and we do not foresee any material change in the business relationships between us and our major customers in the foreseeable future. We also strive to communicate regularly with our customers to obtain feedback on our services so that we can continuously improve our services and the results that can be achieved through our services.

Our Directors confirmed that we had not breached any terms of any framework agreement, confirmed purchase orders or project agreements which would have any material adverse impact on our relationship with any of our top five customers in each year of the Track Record Period or breached any terms which would result in the termination of any framework agreement, confirmed purchase orders or project agreements between us and our five largest customers during the Track Record Period. Moreover, there had been no material adverse change in business relationship with major customers during the Track Record Period and up to the Latest Practicable Date. As of 31 December 2022, we had maintained business relationship with seven out of eight top five customers for the Track Record Period. We ceased business relationship with Customer C after the expiration of our last contract with them in March 2022 mainly due to commercial reasons and was in line with our credit risks control and strategies. For further details, see sub-paragraph “Measures to maintain stable and sustainable business relationship with our customers” below.

Industry landscape

According to the Frost & Sullivan Report, it is not uncommon for retail sales and marketing service providers to have a relatively large portion of their revenue contributed by a few customers, especially for service providers who mainly serve large-sized enterprises, and thus, the Group’s customer concentration is in line with industry norm. As advised by Frost & Sullivan, it is mainly because large-sized enterprises are often resource-rich and they incline to relatively larger investment on digitalisation in order to achieve operational efficiency and consumer insights. In addition, these large-sized enterprises, which normally possess many subsidiaries, would internally share, and refer qualified suppliers’ information among themselves. As a result, as compared with retail support service providers which focus on small-medium-sized enterprises, those which focus on large-sized enterprises would have a relatively higher customer concentration rate because they generate revenue from group companies from such kind of large-sized enterprises. Based on the aforementioned and the industry experience of our executive Directors, our Directors consider that customer concentration is not uncommon in our industry and the risk of customer reliance is not specific to us.

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Measures taken to mitigate our concentration risks

Given our established business relationship with our major customers as aforementioned, our Directors do not expect our major customers will materially reduce the amounts of purchase from us. Moreover, leveraging our sales and marketing efforts to seize new business opportunities and our strong customer base, our Directors consider that if we were to lose any major customer in the future, any adverse impact on our financial performance would not be expected to be permanent. We have taken several measures to mitigate our concentration risks, which include:

1. To retain our customers, over the years, we have endeavoured to accommodate our customers’ demands to gain their satisfaction. We also strive to communicate regularly with our customers to obtain feedbacks on our services so that we can continue to improve our services and the results. Our continuous effort to retain existing customers has been proven to be effective as demonstrated by our established relationships with our major customers to date.
2. We have made consistent effort in diversifying and strengthening our customer base. For instance, we procured 18, 22 and 128 new customers for FY2020, FY2021 and FY2022 which contributed revenue of RMB14.4 million, RMB12.8 million and RMB14.3 million, representing 3.5%, 3.1% and 2.3% of our total revenue, for the same periods, respectively. In addition, as a majority of our major customers during the Track Record Period were brand owner customers, we have strived to increase our distributor customer base. Number of distributor customers increased from 14 for FY2020 to 127 for FY2022. Initially, with an aim to enhance sales of products through digital channels, certain of our brand owner customers have paid the subscription fees of our digitalised tool(s) for use by distributors. Hence, these distributors were not engaged as our customers at the outset. Subsequently, due to more specific needs of the respective distributors, they proceeded to directly engage us in the capacity of distributor customers (i.e. paying us subscription fees for our digitalised tool(s)) under our SaaS+ subscription), so as to satisfy their individual customisation needs. Therefore, our Directors expect that we would be able to reduce our reliance on brand owner customers and diversify our customer base by procuring more distributor customers. It is also one of our growth strategies to strengthen and expand our customer base, further details of which are set out in “Business — Our growth strategies — Raise awareness of our brand and increase market share”.
3. During the Track Record Period, we primarily marketed our services through our direct sales force and other sources, including customer referrals and word-of-mouth, while in the future, we may also market our services using channel partners. We believe that our efforts to market our brand will help us expand our customer base and increase our revenue. In particular, as a result of our consistent effort in diversifying our customer base, we have entered into a service agreement in relation to the provision of tasks and marketers matching service to promote and implement sales and marketing initiatives for instalment loan products offered by a financial services corporation.

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Measures to maintain stable and sustainable business relationship with our customers

We maintained a good business relationship with all of our top five customers and did not have any disputes with any of them during the Track Record Period. Nonetheless, we ceased business relationship with Customer C.

After the expiration of our last contract with Customer C in March 2022, we did not renew any existing contract or enter into any new contract with Customer C, mainly due to commercial reasons in line with our credit risks control and strategies. As at 31 December 2022, we did not have any material outstanding trade receivables due from Customer C. Save for Customer C, as of 31 December 2022, we had maintained business relationships with our other top five customers in each year of the Track Record Period. We have adopted various measures to strengthen business relationships with our customers, which includes conducting regular communications with our customers to learn about their evolving needs and improving our services and diversifying our service offerings based on their constructive feedbacks, such as launching new features of digitalised tools. Meanwhile, in order to enable us to continue to enhance our service offerings, we have kept building up our data analytics capability, thereby enabling our customers to accurately identify target offline retail stores and consumers, as well as enabling us to improve matching recommendations of marketers with tasks, and thus, improving the marketing effectiveness of our services.

OUR SUPPLIERS

Overview

Our suppliers mainly include labour service providers (which provide third-party marketers), event consumables suppliers, human resources agencies (which provide payment services of social insurance and housing provident funds) and related IT service providers. To ensure quality of and reasonableness of the prices of the services and materials and reasonableness of payment term, we only procure from our approved suppliers and we conduct annual review of our approved suppliers. We have established procedures of management of selection of the suppliers, which requires that, for the selection of third party suppliers, sufficient due diligence on the credibility of the suppliers and the shareholdings’ structure (including the ultimate beneficial owner) shall be performed to ascertain, amongst other matters, whether the supplier has obtained necessary approval or permits.

During the Track Record Period, we did not experience any material disruption to our business as a result of any significant shortage or delay in supply of the services or material we sourced from our suppliers.

In general, we do not enter into long-term agreements with our suppliers. Our agreements with our suppliers are generally with terms of no more than one year, subject to renewal. Our agreements with our suppliers generally include Anti-commercial Bribery clauses and do not allow either party to terminate without cause. To the best of our knowledge, we have not breached any of our agreements with our suppliers.

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Our top five suppliers

During the Track Record Period, our top five suppliers include labour service providers and event consumables suppliers. Our cost of purchases were recognised in cost of services, administrative expenses, research and development expenses and selling and marketing expenses respectively. For each year during the Track Record Period, our purchases from our five largest suppliers amounted to RMB149.5 million, RMB156.4 million and RMB121.5 million, representing 60.6%, 58.1% and 48.3% of our total purchases for the same periods, respectively. For each year during the Track Record Period, our purchases from our largest supplier, being a labour service provider, amounted to RMB90.8 million, RMB50.0 million and RMB43.2 million, representing 36.8%, 18.6% and 17.2% of our total purchases, respectively. The gradual decrease in purchase from our largest supplier for FY2020, FY2021 and FY2022 was in line with our strategies to reduce reliance on one single supplier by procuring other suppliers which can offer similar services.

To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest suppliers (including their respective ultimate shareholders).

For the year ended 31 December 2020

Rank	Supplier	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Purchase RMB'000	% of total purchase %
1	Supplier A	Provision of labour services	A private human resources management service provider with a registered capital of RMB5.0 million based in Anhui Province, founded in 2016	2018	30 days	Bank transfer	90,816	36.8
2	Supplier B	Provision of event consumables related services	A private marketing planning service provider with a registered capital of RMB10.0 million based in Shanghai, founded in 2005	2018	Seven working days	Bank transfer	31,253	12.6
3	Supplier F	Provision of labour services	A private marketing planning service provider with a registered capital of RMB10.0 million based in Fujian Province, founded in 2019	2019	30 days	Bank transfer	15,955	6.5
4	Supplier C	Provision of event consumables related services	A private exhibition display service provider with a registered capital of RMB500,000 based in Shanghai, founded in 2014	2018	60 days	Bank transfer	7,921	3.2
5	Supplier G	Provision of labour services	A private human resources service provider with a registered capital of RMB10.0 million based in Anhui Province, founded in 2020	2020	30 days	Bank transfer	3,589	1.5
Total:							149,534	60.6

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For the year ended 31 December 2021

Rank	Supplier	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Purchase RMB'000	% of total purchase %
1	Supplier A	Provision of labour services	A private human resources management service provider with a registered capital of RMB5.0 million based in Anhui Province, founded in 2016	2018	30 days	Bank transfer	50,002	18.6
2	Supplier H	Provision of labour services	A private human resources service provider with a registered capital of RMB1.0 million based in Jiangxi Province, founded in 2020	2020	30 days	Bank transfer	40,726	15.1
3	Supplier I	Provision of labour services	A private supply chain management service provider with a registered capital of RMB50.0 million based in Fujian Province, founded in 2019	2020	30 days	Bank transfer	38,408	14.3
4	Supplier J	Provision of labour services	A private human resources service provider with a registered capital of RMB5.0 million based in Hunan Province, founded in 2020	2021	30 days	Bank transfer	18,279	6.8
5	Supplier K	Provision of event consumables related services	A private architectural decoration service provider with a registered capital of RMB500,000 based in Shanghai, founded in 2011	2020	60 days	Bank transfer	8,956	3.3
Total:							<u>156,371</u>	<u>58.1</u>

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For the year ended 31 December 2022

Rank	Supplier	Services provided	Background	Commencement of business relationship	Credit terms	Payment method	Purchase RMB'000	% of total purchase %
1	Supplier J	Provision of labour services	A private human resources service provider with a registered capital of RMB5.0 million based in Hunan Province, founded in 2020	2021	30 days	Bank transfer	43,219	17.2
2	Supplier H	Provision of labour services	A private human resources service provider with a registered capital of RMB1.0 million based in Jiangxi Province, founded in 2020	2020	30 days	Bank transfer	32,763	13.0
3	Supplier P	Provision of labour services	A private information technology consulting services with a registered capital of RMB2.0 million based in Jiangxi Province, founded in 2021	2021	5 days	Bank transfer	21,346	8.5
4	Supplier O	Provision of labour services	A private marketing planning service provider with a registered capital of RMB5.0 million based in Hunan Province, founded in 2020	2021	3 days	Bank transfer	18,396	7.3
5	Supplier C	Provision of event consumables related services	A private exhibition display service provider with a registered capital of RMB500,000 based in Shanghai, founded in 2014	2018	60 days	Bank transfer	5,795	2.3
Total:							121,519	48.3

OUR SALES AND MARKETING

We have adopted a customer-centric sales approach. We focus on listening to and addressing the needs of customers, identifying challenges faced by our customers in different business scenarios and maintaining long-lasting business relationships.

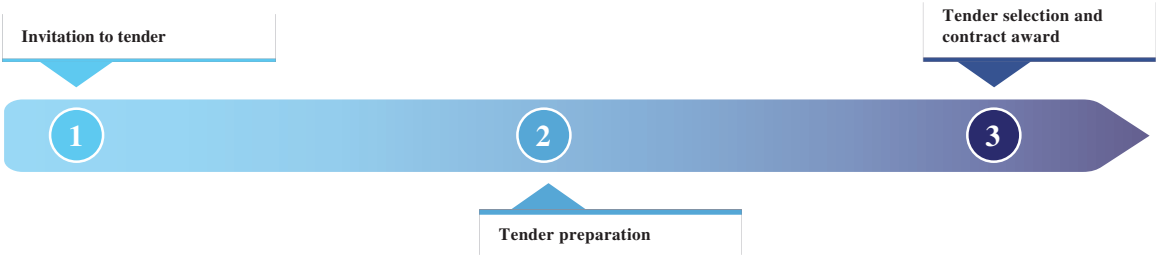
We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable services at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. During the Track Record Period, we have utilised a multitude of marketing channels to market our services through our direct sales force and a number of free traffic sources, including customer referrals and word-of-mouth, while in the future, we may also market our services using channel partners. In particular, we were invited to give a presentation in an industry event organised by a leading AI company based in the PRC in October 2021 and together with Frost & Sullivan and LeadLeo issued the 2022 China Offline Digital Marketing White Paper (《2022年中國線下動銷數字化白皮書》) to analyse challenges and market opportunities of offline sales and marketing under the trend of digital transformation. For each year of the Track Record Period, we incurred selling and marketing expenses of RMB18.7 million, RMB20.8 million and RMB19.3 million, respectively.

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We identify potential projects generally through invitations to provide quotation or competitive tender processes by existing and potential customers who are interested in our services. Further details on the tendering process and quotation invitation process are set out below.

Tendering process

Below flowchart sets out a summary of our tendering process:



Invitation to tender

In general, potential customers who need sales and marketing services would send us notifications containing brief project particulars such as nature, schedule and pre-qualification requirements which are a set of criteria for the potential customers to assess service providers’ eligibility to tender. If we are interested in the project, we provide our business highlights and information on background, qualifications and financial information.

Tender preparation

When we receive a tender invitation, we gather information as required and prepare the tender document. During this stage, we obtain non-binding quotations from our service providers and suppliers of materials to facilitate our cost estimation and pricing decisions. We may analyse the scope of services using our digitalised tools and data assets so as to deliver a data-driven and cost-effective implementation plan and tender document.

Tender selection and contract award

Our potential customer shortlists potential service providers for tender interviews and in general, there are two rounds of interviews. We present and explain our tender documents or implementation plan to the potential customers, respond to their queries and discuss with them the project details, pricing and other contract terms during the interviews. For some projects, particularly the larger sized ones, the potential customers may also request us to demonstrate that we have sufficient working capital to undertake the projects. Upon the award of a contract, we will sign framework agreements or single project agreements with the potential customers.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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Tender success rate

The following table sets forth our revenue by service types from successful tender and quotation during the Track Record Period:

	FY2020		FY2021		FY2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Customised marketing solution obtained by						
tender	115,231	27.9	135,496	32.5	268,552	43.5
quotation	190,657	46.1	137,228	33.0	191,071	30.9
Sub-total:	305,888	74.0	272,724	65.5	459,623	74.4
Tasks and marketers matching service obtained by						
tender	1,088	0.3	5,882	1.4	48,364	7.8
quotation	31,039	7.4	53,356	12.8	33,698	5.5
Sub-total:	32,127	7.7	59,238	14.2	82,062	13.3
Marketers assignment service obtained by						
tender	65,990	16.0	31,172	7.5	22,667	3.6
quotation	7,593	1.8	38,240	9.2	26,046	4.2
Sub-total:	73,583	17.8	69,412	16.7	48,713	7.8
SaaS+ subscription obtained by						
tender	—	—	—	—	778.3	0.1
quotation	1,973	0.5	14,915	3.6	26,934	4.4
Sub-total:	1,973	0.5	14,915	3.6	27,712	4.5
Total from tender	182,309	44.1	172,550	41.4	340,362	55.0
Total from quotation	231,262	55.9	243,739	58.6	277,748	45.0
Total revenue	413,571	100.0%	416,289	100.0%	618,110	100.0%

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The following table sets forth the number of tender applications and the number of contracts awarded through tendering by service types during the Track Record Period:

	FY2020	FY2021	FY2022
Customised marketing solution			
Number of tender applications	25	54	53
Number of contracts awarded	20	25	36
Success rate (%) (Note 1)	80.0%	46.3%	67.9%
Tasks and marketers matching service			
Number of tender applications	1	5	6
Number of contracts awarded	1	5	6
Success rate (%) (Note 1)	100.0%	100.0%	100.0%
Marketers assignment service			
Number of tender applications	2	8	5
Number of contracts awarded	2	8	5
Success rate (%) (Note 1)	100.0%	100.0%	100.0%
SaaS+ subscription			
Number of tender applications	—	—	2
Number of contracts awarded	—	—	2
Success rate (%) (Note 1)	—	—	100.0%

Notes:

1. In the above table, success rate is calculated by dividing (i) number of contracts awarded by (ii) number of tender applications submitted. For the above analysis, we treated the dates of our successful tender applications as the respective contract commencement dates.
2. For FY2020, FY2021 and FY2022, there were three, two and three contracts, respectively, which were obtained through tendering included more than one type of service scopes. For the above analysis, we treated such contracts as one contract and one tender application under each of the respective service types.
3. For each of FY2020, FY2021 and FY2022, we obtained one customised marketing solution contract and one marketers assignment service contract from one tender application, respectively. For the above analysis, we treated such contracts as one contract and one tender application under each of the respective service types.

During the Track Record Period, number of contracts awarded to us through tendering remained relatively stable, whereas there was decrease in our tender success rate for customised marketing solution. This was mainly because we received increased tender invitations, but we tend to focus on projects with relatively higher profit margin. Therefore, there was fluctuations in the tender success rate for customised marketing solution.

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Tendering strategies

On receipt of a tender, we conduct an analysis of the tender documents to evaluate the scope of work, cost, schedule and requirements of our potential customers. In evaluating a tender, we consider, among other factors, (i) the number of projects we have on hand; (ii) our available capacity and resources to provide the relevant services; and (iii) the potential value of such project to our business and business profile which in turn depends on a number of factors pertaining to the project and the competitive environment.

Pricing measures and strategies

Our pricing is determined based on the respective fee models of each type of our services, further details of which are set out in “Business — Our service offerings”. During the Track Record Period, we charged our customers fixed service fees and/or floating fees for customised marketing solution, tasks and marketers matching service and marketers assignment service. Generally, floating fees are calculated based on the results of the performance indicators stipulated by our customers and may be calculated using a tiered commission structure with a capped amount. Different contracts have different calculation method and levels of tiered commission structure. In certain cases, if we could not achieve performance indicators (such as marketer attendance rates or recruitment rates) as set out in the service agreements, our customers can deduct the agreed fees. In order to continuously monitor and assess our average achievement level of the various performance indicators, in addition to financial information, we may also consider average achievement rate of projects’ targeted sales amount. Average achievement rate of projects’ targeted sales amount is calculated by dividing the actual sales amount achieved by us by the customers’ targeted sales amount (where applicable) of each project and then taking the average value, and such average achievement rate was 105.5%, 99.6% and 101.3% for FY2020, FY2021 and FY2022, respectively. The relatively lower average achievement rate for FY2022 (as compared with FY2021) was mainly because the overall economic conditions, as well as our customers’ businesses, were adversely impacted by the COVID-19 pandemic and our achievement of sales-related performance indicators of certain projects were disrupted by the COVID-19 lockdown restrictions. The average achievement rate for FY2021 rebounded slightly as compared with FY2020, which was in line with the growth of tasks and marketers matching service. In addition, we may adjust our pricing for a specific project with reference to the following factors: (i) the nature and scope of the works involved; (ii) the then availability of our manpower and resources; (iii) the labour service fees and event consumable costs involved in the project; and (iv) the expected timetable for the projects as requested by the customer.

We will continuously keep ourselves abreast of changes in market prices and pay close attention to our customers’ responses during the quotation stage. We strive to be responsive to changes in market prices and customers’ responses in a timely manner to avoid any material adverse impact on our market position, competitiveness, performance and financial conditions.

During the Track Record Period, save for one customised marketing solution project and one tasks and marketers matching service project, we had no loss-making contracts. In order to minimise our exposure to loss-making projects, we have adopted the following internal control measures and business strategies:

- (i) our finance team, after each month-end closing of accounts, would identify any actual, expected and potential loss-making projects and pass the relevant information of such projects to our senior management for the purposes of (a) ascertaining the reasons for the loss/expected loss; (b) reviewing the costs assessment for the relevant projects; (c) improving the accuracy of our

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budget and project planning; and (d) recommending measures to minimise the expected and potential losses arising from such projects. All findings and recommendations would be directly reported to our financial controller and executive Directors;

- (ii) we will remain cautious in providing comparatively lower prices to our customers after considering all the factors as disclosed in the paragraph “— Our sales and marketing — Pricing measures and strategies” in this section; and
- (iii) we will closely monitor the costs incurred by us to ensure the overall profitability of our projects in the long-run.

Synergies among our service offerings

We consider our different types of services as covering different offline retail operations and as being complementary with each other and each type of our services offers a different range of sales and marketing services and targets a different range of offline retail operations. As such, we believe there are synergies among our different types of services, having considered that our customers may have different sales and marketing initiatives for different offline retail operations. Depending on their sales and marketing strategies in response to the prevailing offline retail market situation, our customers may engage us for more than one service types and change the service type or combination of service types from time to time. In particular, our customers may choose (i) customised marketing solution for implementing customised sales and marketing activities, which may involve setting up of venues and event materials and require lots of marketers to attend to on-site implementation, in their more popular stores to promote brand awareness of new products; (ii) tasks and marketers matching service for standardised sales and marketing services which mainly involve matching of suitable marketers against particular offline retail stores using AI technologies and big data to help improve sales performance but without setting up of venues or event materials; (iii) marketers assignment service for dedicated and stable workforce at offline retail stores designated by our customers; or (iv) SaaS+ subscription for our readily-available digitalised tools without our other services, such as on-site implementation or provision of marketers.

For each year during the Track Record Period, customers that engaged us for more than one service types in the same year in aggregate contributed revenue of approximately RMB238.8 million, RMB272.1 million and RMB529.3 million, representing 57.7%, 65.4% and 85.6% of our total revenue, respectively. During the Track Record Period, certain of our customers switched from one type of service to another. For example, since 2022, three of our top five customers for the Track Record Period switched from marketers assignment service to customised marketing solution for a broader range of customised sales and marketing services as a result of their changes in sales and marketing strategies in response to the prevailing changes in their industry strategies. Prior to engaging us for the provision of customised marketing solution, these three customers would formulate and implement their own marketing plans, and our role was to assign to them our employee marketers to execute sales and marketing duties as instructed and prescribed by them at designated offline retail stores and assist them to manage human resources-related administration matters of these employee marketers. According to the changes of their sales and marketing strategies, these three customers required our customised marketing solution. Upon these three customers switching to customised marketing solution, our Group took the initiative to formulate and implement customised sales and marketing plans for them. Other than managing our employee marketers and the related human resources-related administration matters, we were involved in formulating, among others, branding strategies, sales and marketing plans, event marketing strategies. We were also responsible for overseeing and managing the whole implementation process of the plans directly by arranging venues and marketers. For details of impact on cost of services and gross profit margin upon such switching of services, please

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refer to “Financial Information — Principal Components of Consolidated Statements of Comprehensive Income — Cost of services” and “Financial Information — Period to Period Comparison of Results of Operation — Gross profit and gross profit margin”.

Having considered our customers generally require a broader range of sales and marketing services from us over the years and the recent sales and marketing strategies of our customers, we believe that in the future, revenue from customised marketing solution and/or tasks and marketers matching service is expected to account for a larger proportion of our total revenue, while revenue from marketers assignment service is expected to account for a lesser proportion of our total revenue.

Seasonality

During the Track Record Period, we experienced relatively higher revenue in the fourth quarter of a calendar year than the other quarters of a calendar year, mainly because there is a higher concentration of festive seasons and other marketing campaigns and other activities in the fourth quarter of a calendar year, which tend to attract more customers to organise sales and marketing activities for stimulating sales and raising brand awareness.

DATA PRIVACY AND SECURITY

We treat data security and privacy seriously across our FMES platform. When a user registers an account or logs into his/her account of our digitalised tools, there will be a notice requiring this user to read and consent to the user privacy policy. The user privacy policy of our digitalised tool describes our data use practices and how privacy works, in particular, it specifies the type of user data that will be collected from our users under different circumstances in the relevant service. We have implemented internal rules and policies to govern how we may use our digitalised tools to collect, use and share personal information, as well as protocols, technologies and systems to prevent information leakage, damage, tampering, loss and misuse and have a dedicated information security team to observe the implementation of the said rules and policies and ensure the compliance of the same. Also, we have maintained safety technical measures for computer rooms, information centres, data centres and other facilities and equipment to ensure the safety and smooth flow of information.

We have established and gradually improved our data security management systems and procedures to ensure that our data collection, transmission, storage, usage, external provision, deletion and other aspects of the security management, which represented the entire life cycle of data and personal information, via our FMES platform are and will be in line with the requirements of applicable laws and regulations. We have designated staff to be responsible for cyber security, data compliance, and personal information protection and provide necessary data security training for our staff. In addition, employees (in particular our staff who would process data and personal information) are generally required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work and users without lawful basis and legal process. In terms of compliance audits, we conduct annual information security risk assessments and prepare an Information Security Risk Assessment Report.

In particular, we have established the following management systems and procedures, which are applicable to all of our data and personal information (including those collected and handled with the FMES platform and AI algorithms):

- (i) Information Security Management Manual (《信息安全手册》), which directs our overall information security management. It sets out designated staff who are responsible for information security and their responsibilities;

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- (ii) Data Security Management Procedures (《數據安全管理程序》) and User Personal Information Protection Management Procedures (《用戶個人信息保護管理程序》), which sets out the protocol for security control of data and personal information covering the entire data lifecycle from collection to destruction. Data Security Management Procedures (《數據安全管理程序》) stipulates that outbound data transfer should be assessed to ensure that the outbound data transfer meets the requirements of applicable laws and regulations; the User Personal Information Protection Management Procedures (《用戶個人信息保護管理程序》) stipulates that user personal information collected in the PRC shall not be provided to overseas unless otherwise exempted by laws and regulations; and the Personal Information Security Impact Assessment Procedures (《個人信息安全影響評估程序》) stipulates the specific assessment methods for outbound data transfer;
- (iii) Data Classification and Grading Management Procedures (《數據分類分級管理程序》), which stipulates data classification and grading in accordance with the sensitivity of data and the potential impacts caused by data leakage, based on which data security protection strategies are formulated and corresponding security measures are taken to ensure the safety of data and personal information;
- (iv) Information Security Management System (《信息安全管理制度》), which stipulates strict access control measures for database access and establishes an approval process for adding permitted access to the whitelist. It provides for database security access management, personnel who need to access the database directly for business purposes or require certain clearance for database operation must apply for and receive approval prior to setting up an account and being added to the whitelist for authorised access. The database should be configured with login logs and monitoring auditing functions to record the logs of various operation events of all users, and the database administrator should regularly conduct security audits on the database, including aspects of user rights and access restrictions;
- (v) Supplier and Cooperating Parties Data Management Procedures (《供應商和合作方數據管理程序》), which regulates our cooperations with suppliers and other parties concerning data; and
- (vi) Information Security Event Management Procedures (《信息安全事件管理程序》), Interim Measures for Information System Backup and Recovery (《信息系統備份與恢復暫行辦法》), Network Information Security Emergency Plan Management Procedures (《網絡信息安全應急預案管理程序》) and Information Security Complaint and Reporting Management Procedures (《信息安全舉報投訴管理程序》), all of which are applicable to information security event management and emergency response, data disaster recovery and backup, and responding to information security related complaints and reports.

In addition to the aforementioned measures, we continue to pay close attention to legislative and regulatory developments in data security and we have engaged external legal counsel to conduct relevant consultation and assessment to improve our data compliance and risk prevention system.

Plus Shanghai has received the Information Security Management System (ISO/IEC 27001:2013) certification, which covers the development and application of information security management system to support the sales terminal management system. The certificate is valid from 20 July 2021 until 19 July 2024. All Group companies are required to adhere to the ISO 27001 system of Plus Shanghai.

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Based on the above, Tian Yuan Law Firm is of the view that, as of Latest Practicable Date, our data governance policies, procedures, and practices related to cyber security, data security and personal information protection comply in all material respects with the requirements of applicable laws and regulations related to cyber security, data security and personal information protection.

Data collection and usage

During our operations, we use our digitalised tools to collect user data directly or indirectly via third party sources. With respect to our direct collection of user data, according to the relevant laws and regulations, we are required to obtain the consent from our users before collecting and using their personal information. When a person or an entity registers an account or logs into his/her account of our digitalised tools, there will be a notice requiring this user to read and consent to the user privacy policy. The user privacy policy of our digitalised tool describes the rules for processing user data, including the type, purpose, scope, collection method and usage of the user data that will be collected. The privacy policy also explains the system permission function and rights of user data. Before our digitalised tools collect user data that contains sensitive personal information, separate user consent would be obtained to ensure the user’s acknowledgment. Depending on the nature and functions of the digitalised tools, user data collected by such digitalised tool may include the user’s name, identity card number, mobile phone number, address and bank account number, as well as user historical performance. In particular, the user data of marketers we accumulate from our FMES platform includes personal information in compliance with our privacy policies and generally includes the following information of marketer users: (i) basic information: name, mobile phone number, ID number, ID photo, address and bank account number; (ii) task related records such as recommended tasks received and performed, task completion records and results achieved; (iii) task location information; (iv) task preference information such as preferred task type and industry category; and (v) device information: operating system of mobile device. The aforementioned data (such as records of marketers users’ task related records, and task preference information) of marketers are tagged by the AI technologies which then integrate and analyse such data accordingly. Based on the analysis, it generates matching recommendations of marketers suitable for the tasks published by offline retail stores. Our customers, as the final decision maker, will choose suitable marketers with reference to our matching recommendations to achieve better performance results. Meanwhile, our digitalised tools may collect user data indirectly via third-party sources, such as embedded third-party software development kits or access application programming interface. We only collect and use real-name data and mobile phone numbers from our users when necessary, such as when they register an account of our digitalised tool and sign digital contracts. We collect such necessary user information strictly following government regulations and user privacy policies. We do not collect unnecessary user data other than those described in the user privacy policy, and unless otherwise provided by laws and regulations, we do not provide any stored data to third parties without users’ consent. We may also collect users’ data which is necessary for our provision of services and performance of the service agreements and use such data within the scope of users’ consent and authorisation and make reasonable efforts to prevent the unauthorised use, loss or leak of user data. In addition, we accumulated the data of points of sale on our FMES platform, which is the basic operational information of points of sale and generally includes the following information of points of sale: (i) basic information such as name, address and administrative area; (ii) economics of its surrounding area such as distribution, types and sales performance of neighbouring offline retail stores and consumers’ consumption power in relevant area etc.; and (iii) brand owner’s operation information: brand marketing input, types/forms of marketing and promotional activities, neighbouring marketers availability and capability. Our AI technologies automatically integrates and analyses the aforementioned data, and provides the scores of the sales potential of the offline retail stores accordingly based on features such as their surrounding consumption level and their sales performance and make recommendations to our customers in assisting their decision-making in selecting the location of points of sale. All user data is used within the PRC. We do not sell or illegally provide the user data collected from our users to any third-party organisations. Our

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FMES platform has adopted a series of relevant data security measures. In general, we would also sign “Data Sharing and Protection Specifications” and “Data and Protection Specification Commitment Letters” with our relevant customers and IT service providers, pursuant to which (i) the data provider shall commit to legality of data sources, compliance of transmission and consent and authorisation requirements in relation to personal information; and (ii) we are entitled to verify data compliance and state information security measures of both parties.

De-identification and de-sensitisation of sensitive information

After collecting user data with the use of our digitalised tools, we de-identify and de-sensitise sensitive personal information and implement data masking of user data. User data accumulated on our FMES platform is stored on a virtual private cloud (VPC) operated by our VPC cloud service provider, which is an isolated cloud hosted within a public cloud environment and accessed exclusively by us. At the same time, to minimise the risk of damage, leakage and loss of data assets, which is essential to our business operations and provision of service offerings, such user data is also saved on our own local servers located in the PRC and are backed-up regularly. Using our task-based matching algorithm and under a data-encrypted environment, we tag personal information of users based on the set tagging rules. Then, the contacts of users were ranked and displayed. Our customers cannot see the personal information of the users on our digitalised tools except for their rankings and can only contact users using virtual numbers to have point-to-point communication with the target user. In addition, the algorithm principles and rules have been published for the relevant digitalised tools. We strictly restrict the range of data each employee is authorised to access based on his/her seniority and function and unauthorised private download and preview of confidential data are not permitted. There are interface desensitisation requirements for sensitive data transmission. We provide trainings on data protection to our employees from time to time and have generally entered into confidential agreements with our employees to prevent improper use or disclosure of data.

We had not experienced material data breach during the Track Record Period and up to the Latest Practicable Date.

The laws and regulations of cybersecurity and data protection are relatively new and evolving and their interpretation and enforcement involve significant uncertainty. We cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us. Please refer to “Risk Factors — Risks Relating to Our Industry — Regulatory, legislative or self-regulatory developments for online businesses may be expensive to comply with, not clearly defined and rapidly evolving, which might create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business. These might also have a material and adverse impact on our business, prospects, results of operations and financial condition.” As of the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions regarding the proposed [REDACTED] plan or requesting any cyber security review regarding the Measures for Cybersecurity Review and the Draft Regulations on Network Data Security Management. Tian Yuan Law Firm is of the view that there is no material impediment for us to comply with relevant laws and regulations in all material respects.

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Internal protocols

We adopt a vigilant approach towards information security with respect to storage and protection of user data collected using our digitalised tools and accumulated on our FMES platform as this is vital to our business. In this regard, we have established a set of internal protocols on data security in relation to use, disclosure and protection of confidential information. A summary of our internal protocols is set out as follows:

- (a) **Data classification and access restriction.** We classify our user data into (i) “core data”; (ii) “important data”; and (iii) “internal data” based on the nature of the data and degree of confidentiality and impose security policies to govern any restriction of use of different categories of user data. After collecting user data with the use of our digitalised tools, we de-identify and de-sensitise sensitive personal information and implement data masking of sensitive personal information. We isolate the storage of user data in a secured area with restricted access granted to our authorised employees. We also ensure the secured storage and transmission of data and prevent any unauthorised member of the public or third parties from accessing or using user data in any unauthorised manner. We keep records of and monitor all import, export, duplication and deletion of data in our system as an integral part of our information security measures.
- (b) **Device security and data backup.** Our IT infrastructures on which user data could access and operate are installed with anti-virus protection software. User data is stored on a virtual private cloud (VPC) operated by our VPC cloud service provider and our own local servers located in the PRC. With a view to minimising the risk of data damage, leakage and loss, we back up data (including those stored on the virtual private cloud and our local servers) on a daily basis.
- (c) **Data privacy trainings.** We provide data privacy and information security trainings to our staff to increase their compliance awareness. In addition, employees are generally required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work and users without lawful basis and legal process.
- (d) **Dedicated officers for managing information security.** With a view to safeguarding information security and implementing checks and balances internally, we have dedicated officers who are responsible for managing our information security, which mainly includes (i) collecting, analysing and confirming the data security requirements of the information system and ensuring the inclusion of data security in system planning; (ii) constructing the data security system platform, include desensitisation framework, managing authorisation to access of data, risk monitoring; (iii) regularly review system permission to ensure data security; (iv) analysing, designing and implementing the data security requirements of the developed system; and (v) assisting in the investigation and handling of data security incidents, and mitigating risks and impact as a result of such incident in a timely manner.

To keep abreast with recent regulatory developments, we pay great attention to recently enacted cybersecurity and data protection laws to ensure the effectiveness of our data security and privacy policies and that we are in compliance with all applicable laws and regulations. From time to time, we update our user privacy policies on our digitalised tools and FMES platform and notify users of the purpose, scope and method of our handling of personal information, and the rights that users are entitled with their personal information, as well as our internal protocols regarding data security and privacy. Additionally, we train new employees on data security and privacy awareness at the beginning of their employment, conduct

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information security training from time to time for employees who process data, and take back the physical and logical access of resigned employees in a timely manner. During the Track Record Period, we did not experience any material information leakage or loss of user data.

COMPETITION

Being a sales and marketing service provider which primarily serve FMCG customers in the PRC, our operations are subject to the impact of the China’s offline retail market and we face competition from the retail sales and marketing services market in China.

According to the Frost & Sullivan Report, China’s retail market is categorised into online and offline channels. In terms of the revenue generated by retail service providers, the online channel is the faster-growing segment and increased rapidly at a CAGR of 26.5% from 2017 to 2021, whereas the offline channel only grew at a CAGR of 4.1% for the same period. Going forward, online retail market is expected to increase at a CAGR of 11.9% from 2021 to 2026, while offline retail market is expected to grow at a CAGR of 3.3% during the same years. Accordingly, considering our current business is primarily offline-focused, such transformation may adversely affect our operations and performance and the growth of our business due to the slower growth momentum of the offline retail channels. Nonetheless, the offline channel represented more than 67% of the entire retail market over the last five years and according to Frost & Sullivan, with the increasing costs of acquiring and retaining consumers in the online channel and deeper and more tangible consumer experience in the offline channel, the offline retail market is expected to remain larger than the online retail market. The offline channel is projected to represent more than 58% of the entire retail market in the next five years. In addition, brand owners often consider online retail channel as a channel for distributing products supplementary to the offline retail channels.

Our Directors consider that the sales and marketing services in China is relatively competitive, with a large number of participants with different skills and backgrounds. With the increasing demand for more diverse, integrated and data tracking marketing services and higher standards of data collection, market participants are under pressure to strengthen their competitive advantages through cross-industry or intra-industry mergers and acquisitions. Also, cyclical volatility in the retail industry caused by external macroeconomic conditions can negatively impact brand owners’ operations, leading to a reduction in their marketing spending, which in turn result in increasingly fierce competition for limited customer resources. According to Frost & Sullivan, major market drivers of the retail sales and marketing services market in China include (i) consumption upgrades prompt demand for more customised marketing services; (ii) fiercer competition drives marketing effectiveness enhancement; and (iii) rising demand for offline experience. Meanwhile, it is also expected that there will be (i) further expansion of publishing channels and media resources; (ii) growing demand from various product sectors; (iii) prevalence of marketing technology for integrated service capability; and (iv) performance-based advertising become increasingly favourable. On the other hand, we are subject to various threats and challenges. For details, please refer to “Industry Overview”.

In addition, our Directors consider that going forward, sales and marketing is expected to be conducted through a combination of online and offline channels. Accordingly technology capability has gradually become the next core competency of sales and marketing services providers. Nowadays, established services providers strive to offer holistic marketing solutions to advertisers in one stop. Big data and cloud computing technology enable sales and marketing services providers to gather a vast amount of information to build a comprehensive customer profile for advertisers based on multiple tools and platforms. In addition, new domestic FMCG brands normally were born from the internet and are not familiar with offline interactions, which urges sales and marketing services providers to digitalise their offline operations in order to improve marketing efficiency for brand owners and distributors. As more advanced technologies emerge and are applied, sales and marketing services providers are becoming more

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integrated and technology-driven. We cannot assure you that we could advance our technology capability successfully or that we could provide sales and marketing services that are supported by digitalised tools to the satisfaction of our customers. As a result, we cannot predict with certainty the future growth rate and size of the market of our business. Further, given the regulations in relation to cybersecurity and data privacy in the PRC, we may also face unpredictable restrictions on the adoption and development of different digitalised tools.

The slower growth momentum of the offline retail market may be subject to uncertainties. The majority of brand owners in the retail industry have suffered from various challenges, such as fiercer competition, fragmented distribution network and information asymmetry, and they tend to increase investment in physical sales and marketing with a view to obtaining consumer profiles, improving efficiency in the long retail value chain, and adopting technology empowered tools and systems while implementing sales and marketing activities. From a consumer perspective, consumers not only are prone to using online channels to buy or interact with brand owners or distributors but also enjoy the physical shopping experience. To some extent, these phenomena encourage brand owners and distributors to cooperate with offline retail sales and marketing service providers, like the Group, to advance their physical sales and marketing activities, which enables automation, data transparency, user interaction, and resources monitoring. Furthermore, the further development of SaaS technology also lowers the threshold for brand owners and distributors to embrace digitalisation by cancelling upfront hardware costs and flexible access to computed results. In this case, efficiency and resources saving are expected to bring cost down and strengthen existing value proposition for brand owners and distributors. In return, retail sales and marketing service providers are able to achieve business success in such a digitalisation era.

According to the Frost & Sullivan Report, with the rapid digitalisation transformation progress in recent years, China’s retail sales and marketing services market is becoming more well-established and integrated, which would create long-term and positive impact on the development of retail market. Further, China’s retail sales and marketing services market has been propelled by the PRC government policies, such as the National Economic and Social Development during the “14th Five-Year Plan” Period, which create favourable development environment for starting new businesses and new growth potentials for the market. For the year ended 31 December 2021, our Group recognised revenue of RMB416.3 million, accounting for approximately 0.03% in the FMCG retail sales and marketing services market. In addition, the Company accounted for approximately 0.02% of the overall retail sales and marketing market in the PRC in 2021. For further details, see “Risk Factors — Risks relating to our business — The offline retail market and retail sales and marketing services market in China is subject to various uncertainties. In particular, the emergence of e-commerce and online marketing may adversely affect the demand for our on-site sales and marketing services, as well as the overall offline retail sales and marketing services market in China.”.

INTELLECTUAL PROPERTY

We protect our intellectual property rights through a combination of copyright, trademark and patents and other forms of intellectual property rights available, as well as confidentiality and licence agreements with our employees, suppliers, customers and others. In general, our employees must enter into a standard confidentiality agreement acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or licence without our consent. During the Track Record Period, we did not find any of such breaches of our intellectual property rights. However, infringement, misappropriate or challenges of our intellectual property rights, unauthorised use or unauthorised disclosure of our trade secrets and other intellectual property, significant impairments to our intellectual property rights and limitations on our ability to assert our intellectual property rights against others, may result in a material

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and adverse effect on our business. In addition, we may face allegations that we have infringed the intellectual property rights of third parties, which may harm our brand and reputation, even if they are vexatious or do not result in liability. For details, see “Risk Factors — Risks Relating to Our Business — We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information.” and “Risk Factors — Risks Relating to Our Business — We may be subject to claims by third parties for intellectual property infringement.”.

As at the Latest Practicable Date, we had 26 registered trademarks in the PRC, two registered trademarks in Hong Kong, 84 registered software copyrights in the PRC and 46 registered domain names. For further details of intellectual property rights which are material to our business operation, see “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group” in Appendix IV to this document.

We did not have any other material pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

As at 31 December 2022, we had 8,559 employees, all located in China, details of which are set out in the following table:

	Number of Employees
Group staff	
— Headquarters and management	7
— Business and development	108
— On-site management	14
— Creative design	7
— R&D	50
— Finance	22
— Human resources	19
— Administration and others (including compliance, internal audit, investments, etc.)	<u>16</u>
Subtotal	<u>243</u>
Employee marketers	
— Employee marketers under customised marketing solution projects	4,399
— Employee marketers under marketers assignment service	<u>3,917</u>
Subtotal	<u>8,316</u>
Total	<u><u>8,559</u></u>

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For details and geographical breakdown of employee marketers under customised marketing solution and marketers assignment service, see “— Our service offerings — Customised marketing solution” and “— Our service offerings — Marketers assignment service” in this section, respectively.

Our success depends on our ability to attract, retain and motivate qualified staff. We believe we offer our staff competitive compensation packages and an environment that encourages initiative. We pay labour remuneration in full and on time and gradually increase their salary levels according to social development. Our recruiting efforts include online recruiting, internal referral and, to a lesser extent, on-campus recruiting and use of professional recruiters. We provide on-the-job trainings for our staff to continuously improve the performance and ability of our staff.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance and housing provident funds. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time. During the Track Record Period, save for the employees whose social insurance and housing provident funds were paid by third-party human resources agencies, we have made full contribution of social insurance and housing provident funds on a timely basis for all of our employees. For the same period, with respect to employees whose social insurance and housing provident funds were paid by third-party human resources agencies, we have made payments that are sufficient for social insurance and housing provident funds contribution to third-party human resources agencies on a timely basis.

Engagement of third-party agencies to make contributions under various government-sponsored employee benefits plans

Background

During the Track Record Period, we engaged third-party human resources agencies to pay social insurance and housing provident funds for certain of our employees, being employees having a direct employment relationship with us, since some of our employees are scattered in different areas of the PRC and it would be less likely for us to incorporate companies in every city which we have employees. For FY2020, FY2021 and FY2022, the number of employees whose social security and housing provident funds were made through third-party agencies was around 8,300, 8,200 and 2,769, accounting for 46.6%, 46.1% and 32.4% of our total number of employees, respectively. Such decreasing trend was mainly attributable to our efforts in establishing branch offices in locations where our employees work to the extent plausible. As of the Latest Practicable Date, the number of employees whose social security and housing provident funds were made through third-party agencies was 2,285, accounting for 23.5% of our total number of employees.

Legal consequences and potential maximum penalties

Pursuant to the agreements entered into between such third-party human resources agencies and our Company or our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance and housing provident funds for our relevant employees, while in return we pay service fees to such agencies. Also, we are required to provide details necessary for the contribution and declaration of social insurance and housing provident funds, such as the amount of contribution. In particular, it is a term in the agreement that such agencies do not have the obligation to advance any contribution of social insurance and housing provident funds and in case we delay our payment to such agencies, such agencies are entitled to suspend their services. However, if any of such human resources agencies fail to pay the social insurance or housing provident funds for and on behalf of us as required by applicable PRC laws and regulations or if the relevant competent government authorities determine that our

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use of such agency arrangements does not satisfy the requirements under the relevant PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

In respect of housing provident funds, if we fail to process housing provident fund registrations or open housing provident fund accounts for employees, we shall be ordered by the housing provident fund administration centre to complete such procedures within a prescribed time limit; where failing to do so, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. If we fail to pay the full amount of housing provident fund as required, the housing provident fund management centre may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As to the social insurance, if we fail to file the registration for social insurance, we shall be ordered rectification within a certain period of time; where failing to do so, we shall be fined more than one time and less than three times the amount of social insurance payable, and its directly responsible supervisors and other directly responsible persons shall be fined more than RMB500 and less than RMB3,000. We might be ordered to pay the outstanding balance within a certain period of time and might be subject to a daily overdue charge of 0.05% of the delayed payment amount, and the failure to contribute the social insurance within such a prescribed period may subject us to a fine of one to three times of the overdue amount further imposed by the competent authorities. As advised by our PRC Legal Adviser, the payment of social insurance and housing provident fund contributions through third-party human resources agencies will not in itself directly lead to fines or other penalties under the relevant PRC laws and regulations. Moreover, according to consultation with the relevant governmental authorities, the Company had not been imposed any penalty by such competent authorities due to the payment of social insurance and housing provident fund contributions through third-party human resources agencies during the Track Record Period. However, if the third-party human resources agencies fails to pay the social insurance or housing provident fund contributions for and on behalf of our employees, we may be subject to a fine of one to three times the amount of the outstanding social insurance contributions only if the relevant regulatory authorities order us to make ratification but we fail to rectify within the time period specified. We confirm with the third-party human resources agencies about the number of the employees, the payment amount and payment status on a monthly basis. Based on the amount of the social insurance for employees we instructed the third-party human resources agencies to pay in the latest month (i.e. January 2023), if the third-party human resources agencies failed to pay the social insurance premium for employees in that month and we failed to make the payment within the prescribed time limit, the maximum fine imposed on us would be approximately RMB14.7 million.

Further, as advised by our PRC Legal Adviser, if we can pay the outstanding balance to the relevant authorities within a certain period of time when we are required to do so, the likelihood of us being subject to fines by the relevant government authorities is low.

Rectification actions taken

Since FY2020, we have established branch offices in locations where our employees work to the extent plausible. As such, the percentage of employees whose social security and housing provident funds were made through third-party agencies to our total number of employees decreased from 46.6% for FY2020 to 32.4% for FY2022 and further to 23.5% as of the Latest Practicable Date.

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The major third-party human resources agencies which in the aggregate cover no less than 90% of the total amount paid by the Group during the Track Record Period have confirmed in writing that they had paid such contributions according to our agreements with them. As at the Latest Practicable Date, we are not aware of our Group companies having received any administrative penalty imposed by the relevant PRC authorities or labour arbitration application from employees for its agency arrangement with third-party human resources agencies and we are also not aware of the third-party human resources agencies that we cooperate with having failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees. We were also not aware of any employee’s complaints or demands for payment of social insurance or housing provident fund contributions during the Track Record Period and as at the Latest Practicable Date.

In addition, we have received a confirmation from Mr. Sun, our Controlling Shareholder, dated 17 July 2022, undertaking that in case that our Company incurs administrative penalties or economic losses if it is required by the relevant government authorities to pay relevant penalties due to the above-mentioned agency arrangements, he will indemnify our Company for such payments so that our Company will not suffer from any administrative penalties or economic losses in this regard.

Based on the above, our Directors, as advised by our PRC Legal Adviser, are of the view that this non-compliance incident will not have a material adverse impact on our Group’s operations and financial conditions taken as a whole.

Internal control measures adopted

In light of the foregoing, we have also adopted internal policies in relation to social insurance and housing provident funds, which include the following on-going measures:

- we have issued an internal notice to our senior management and human resources department in respect of the prohibition of the arrangement of third-party human resources agencies for the newly employed employees to ensure that they are informed of the new policy of such prohibition;
- our human resources department is responsible for conducting monthly review on social insurance and provident payment records to ensure that there are no incidents of such arrangement. If any incident of such arrangement is identified, the manager of our human resources department will report to our Directors for further actions;
- we will continue to provide trainings to our employees in relation to the relevant laws and regulations on social insurance and housing provident funds and the compliance requirements from time to time;
- the calculation of the social insurance and housing provident funds would be prepared by our human resources department and be reviewed by our finance department on a monthly basis in order to mitigate the risk of non-compliance with relevant laws and regulations; and
- we will continue to consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to enhance our awareness and to keep us abreast of relevant regulatory developments.

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In addition, we have also adopted measures to monitor the behaviour of third-party human resources agencies and ensure their compliance with applicable PRC laws and regulations. In particular, (i) we will continue to select third-party human resources agencies which have obtained human resources service permit granted by appropriate governmental authority and request such agency to provide copy of such permit for inspection before transaction to ensure they have adequate and proper qualification; and (ii) we will continue to request the third-party human resources agencies to provide receipt slips and payment details to social insurance and housing provident funds are fully paid on a timely manner.

According to our PRC Legal Adviser, the use of third-party agencies to make employee benefits payments is not fully in compliance with the PRC laws and regulations. The regulations and local policies evolve from time to time, and as of the Latest Practicable Date, certain regional authorities, such as those in the Beijing municipal, Shijiazhuang municipal and Taiyuan municipal, had promulgated local policies to explicitly restrict third-party human resources agencies from making social insurance and housing provident funds contributions for non-employees. Those policies do not set out the penalty payable by enterprises engaging the third-party human resources agencies and there remains uncertainty as to how such local policies may be implemented in practice. We maintain close communication and liaison with third-party human resources agencies, such that as soon as the local government has published local policies prohibiting payment of social insurance and housing provident funds contributions for non-employees and/or has requested the third-party human resources agencies to rectify, the third-party human resources agencies will notify us and thus, enabling us to establish new branches to comply with the newly published local policies. During the Track Record Period and up to the Latest Practicable Date, we have not received any notice from any competent authority requiring termination of such arrangement, nor had we been penalised by any competent authority for engaging third-party human resources agencies to make contribution of social insurance and housing provident funds.

The Company has engaged the Internal Control Consultant to review the remedial measures taken by the Company to address these non-compliance incidents as set out in the above. The Internal Control Consultant did not raise any further recommendations. The internal control review was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. In addition, having considered the background of the non-compliance incidents above and the internal control measures adopted by us, our Directors are of the view, and the Joint Sponsors concur, that the enhanced internal control measures are adequate and effective to reasonably prevent re-occurrence of similar incidents.

During the Track Record Period, we have been progressively setting up branch offices in locations where our existing employees work to the extent plausible in order for us to directly pay for their social insurance and housing provident funds without the use of third-party human resources agencies. With a view to rectifying such agency arrangement, we plan to set up branch offices in not less than 25 cities in the PRC (i.e. one branch office for one location) where our existing employees work and transfer their social insurance and housing provident fund accounts from third-party agencies to our newly established branch offices. Based on our rectification schedule as of the Latest Practicable Date, we expect that the transfer of accounts for around 86% of the employees whose social insurance and housing provident funds were made through third-party human resources agencies as of February 2023 will be completed within six months after [REDACTED]. Since the transfer of accounts of the remaining 14%, which represented less than 5% of our total number of employees, is subject to practical difficulties, such as employees who would still be on maternity leave or would be retired soon, we will closely monitor the situation of these employees and arrange to complete the rectification actions as early as possible on a case by case basis. Save for other unforeseeable circumstances which are beyond our control, we expect that all rectification actions will be completed within one year after [REDACTED], and progress of such rectification actions will be disclosed in our Company’s annual report. Meanwhile, during the rectification transition period, we will continue to

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request existing third-party agents to provide payment details and confirmations to ensure that social insurance and housing provident funds are fully paid on a timely manner, and that they have paid such contributions for our employees.

As advised by our PRC Legal Adviser, during the Track Record Period, saved as disclosed in the above paragraphs headed “Engagement of third-party agencies to make contributions under various government-sponsored employee benefits plans”, we complied with all statutory employment, social security insurance fund and housing fund obligations under the applicable PRC laws and regulations in all material aspects. During the Track Record Period, save for the employees whose social insurance and housing provident funds were paid by third-party human resources agencies, we have made full contribution of social insurance and housing provident funds on a timely basis for all of our employees. For the same period, with respect to employees whose social insurance and housing provident funds were paid by third-party human resources agencies, we have made payments that are sufficient for social insurance and housing provident funds contribution to third-party human resources agencies on a timely basis. See “Risk Factors — Risks Relating to Our Business — We used third-party agencies to make contributions under various government-sponsored employee benefits plans, which may have an adverse impact on us.”.

Our relationship with employees

We enter into standard employment contracts with our staff. We also enter into standard confidentiality and non-compete agreements with our senior staff and key R&D technical staff. As of 31 December 2022, we also have a labour union in Shanghai and a labour union in Conghua, consisting of 240 members, and 1,169 members respectively. We believe that we maintain a good working relationship with our employees and we have not experienced any material disputes with our employees in our history.

PROPERTIES

As at the Latest Practicable Date, we did not own any real property.

As at the Latest Practicable Date, we leased and occupied 22 properties in 11 cities, primarily including Shanghai, Guangzhou, Shenzhen, Nanjing, Beijing, Dalian and Chengdu, with an aggregate gross floor area of 2,685 square metres, which were used as offices and staff quarters (i.e. non-property activities as defined under Rule 5.01(2) of the Listing Rules), and 57 office cubicles, which were used as offices. Our leased properties are leased from Independent Third Parties. The relevant rental agreements provide lease expiration date ranging from 2023 to 2025.

As at 31 December 2022, none of our leased properties accounted for 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Listing Rules and Article 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this document is exempt from compliance with Section 342(1) of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (b) section, which requires that all land or building interests be included in the valuation report described in paragraph 34(2) of Schedule III of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased properties with title defects and inconsistency with permitted use

As at the Latest Practicable Date, four of our leased properties (including three in Shanghai and one in Chengdu) had title defects, which were due to lessors’ failure to prove the fulfilment or completion of legal procedures relating to allocated land in the PRC. We had been actively communicating with the lessors, requiring valid ownership certificates or authorisation for leasing. In addition, the current usage of three (all in Shanghai) out of these four leased properties, one leased property in Guangzhou and one leased

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property in Beijing were inconsistent with the respective permitted usage stated in the building ownership certification. Currently, these leased properties were used as offices, while the permitted usage under the building ownership certification was warehouse or hostel.

With respect to our leased properties with title defects, as advised by our PRC Legal Adviser, according to the relevant laws and regulations, in situations where a lessor fails to complete legal procedures relating to allocated land in the PRC, the relevant lease agreement may not be valid or enforceable and we may face challenges from third parties regarding our leasehold right. Nonetheless, as advised by our PRC Legal Adviser, it is the lessors’ responsibility to comply with the relevant requirements and to obtain the relevant ownership certificate or authorisation for leasing. Any failure to fulfil such procedures may subject the relevant lessors to penalties imposed by the competent PRC government authorities and if the lessors do not have the requisite rights to lease the defective leased properties, the relevant lease may be deemed invalid and unenforceable. As a tenant, even though we are not subject to any administrative punishment or penalties under relevant laws and regulations, our use of the defective leased properties may be affected by third parties’ claims or challenges against the lease and we may be required to vacate from such properties and relocate our office. Our PRC Legal Adviser are of the view that the title defects of our leased properties will not have a material adverse impact on our business operations because (i) the leases of such leased properties had not been deemed invalid by any competent PRC government authority during the Track Record Period and up to the Latest Practicable Date; (ii) we had not received any rectification order, nor had we been requested to terminate the lease or relocate due to the aforementioned title defects, nor had we been otherwise adversely affected or suffered any loss during the Track Record Period and up to the Latest Practicable Date; and (iii) our Directors considered that in case we are required to vacate from such properties and relocate our office, we will be able to find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial and as such, it will not individually or collectively have a material adverse effect on our business, financial condition or results of operations.

With respect to leased properties which usage were inconsistent with the respective permitted usage, as advised by our PRC Legal Adviser, we might be ordered to rectify the inconsistency in the use of leased properties within a prescribed period, failing which we may be required to vacate from such properties and relocate our office. Our PRC Legal Adviser are of the view that our continuing operations will not be materially affected because (i) it is primarily the lessor’s responsibility to ensure the actual usage is consistent with the approved usage, and to the extent necessary, to complete the relevant “change of registration” procedures with the competent authorities to register the changed usage, and the risk of the lessee being subject to any material administrative punishment or penalties because of the lessor’s failure to complete such procedures is relatively low; (ii) there was no administrative actions or punishments have been initiated or imposed on us, nor had we receive any challenge to our right to occupy and use the properties upon it; and (iii) our Directors are of the view that, if the inconsistency with permitted land use prevents us from continuing the lease so that we are required to vacate from such properties and relocate our office, we will be able to find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial and as such, it will not individually or collectively have a material adverse effect on our business, financial condition or results of operations.

Lease registration

Pursuant to the applicable PRC laws and regulations, lease agreements must be registered with local branch of Ministry of Housing and Urban-Rural Development of the PRC within 30 days after the execution of such lease. As at the Latest Practicable Date, leases of 21 of the 22 properties had not been registered with the relevant competent authorities, primarily due to the difficulty of gaining cooperation from the landlords. Registration of lease agreements requires the landlords’ cooperation, including submitting their identity documentations and building title certificates to the relevant authorities. As

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advised by our PRC Legal Adviser, the failure to register the lease agreements for our leased properties for actual use will not affect the validity of these lease agreements, but the competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed timeframe, and the estimated total maximum penalty for those leased properties would be RMB210,000 if we fail to complete the registration within the prescribed timeframe. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our technology infrastructure or properties. During the Track Record Period, we did not make any material insurance claims in relation to our business. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. For further information, see “Risk Factors — Risks relating to our business — We may not have sufficient insurance coverage to cover our potential liability or losses and, as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.”.

LICENCES AND PERMITS

During the Track Record Period and as at the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from relevant authorities that are material to our operations in the PRC in accordance with applicable PRC laws and regulations, and such licences, approvals and permits had remained in full effect. Our Directors confirm that there is no material legal impediment to renewing business licences for our PRC subsidiaries.

The following table sets forth the material licence and permit currently held by us:

Name of Licence, Permit and Approval	Holder	Expiry Date
Labour Dispatch Operation Permit	Shanghai Harvest	10 October 2025
Labour Dispatch Operation Permit	Mecool Marketing	7 April 2026
Labour Dispatch Operation Permit	Retail Winner	18 March 2026
Labour Dispatch Operation Permit	Winning Marketing Services	19 March 2026
Human Resources Service Permit	Plus Shanghai	10 April 2024
Human Resources Service Permit	Winning Marketing Solution	10 April 2024
ISO 9001:2015	Winning Marketing Solution	16 November 2023
ISO 9001:2015	Mecool Marketing	16 November 2023
ISO/IEC 27001:2013 (the Information Security Management System that supports development and applicate of promotion management system)	Plus Shanghai	19 July 2024

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AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received a number of awards and recognitions in connection with our business and services. Representative awards and recognitions are set forth below:

Award/Recognition	Award Year	Awarding Institution/Authority
2019 Best Comprehensive Capability Award in Jiading New City (Malu Town)	2020	CPC Jiading New City Working Committee, Jiading New Town Management Committee, CPC Malu Town Committee and People’s Government of Malu Town
2019 Best Development Award in Jiading New City (Malu Town)	2020	CPC Jiading New City Working Committee, Jiading New Town Management Committee, CPC Malu Town Committee and People’s Government of Malu Town
Agency Scope China 2019/20 — the agency most valued by our clients for the attribute of (i) innovative agency (business transformation through different offering); (ii) good at sales promotions/activation; and (iii) good execution	2020	Scopen and R3 Worldwide
2019 Jiading District Integrated Modern Service Industry Comprehensive Capability Silver Award	2020	People’s Government of Jiading, District Shanghai
2020 Excellent Enterprise Best Development Quality Award in Waigang Town	2021	CPC Shanghai Jiading District Waigang Town Committee and People’s Government of Waigang Town, Jiading District, Shanghai
2020 Jiading District Modern Service Industry Comprehensive Capability Silver Award	2021	People’s Government of Jiading District, Shanghai
Dun & Bradstreet Registered Certified Enterprise	2021	Dun & Bradstreet
2021 Excellent Enterprise Best Development Quality Award in Waigang Town	2021	CPC Shanghai Jiading District Waigang Town Committee and People’s Government of Waigang Town, Jiading District, Shanghai

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Award/Recognition	Award Year	Awarding Institution/Authority
2021 Top 50 Modern Service Industry in Jiading District	2022	People’s Government of Jiading District, Shanghai
Peer Struggle 1000	2022	Huawei’s Consumer Business in the Greater China Area

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that there had been no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group’s financial condition or results of operations.

Legal proceedings involving installation of an advertisement billboard

During the Track Record Period, we were involved in one legal proceeding involving the fatality of a passenger. Mecool Marketing was engaged by one of our customers to instal an advertisement billboard of a commercial shop owned by the plaintiff. Mecool Marketing then subcontracted the installation to one of our event consumables related services providers, the person in charge of which handed the work to a third person, who did not have the qualifications for construction and installation. In July 2020, such advertisement billboard fell off and struck a passenger and led to the passenger’s death. The plaintiff, being the owner of the said commercial shop, sued Mecool Marketing (amongst the lessee of the commercial shop, the event consumables related services provider, the third person who installed the billboard and other parties) on joint and several basis for the civil liability of the passenger’s death for civil liability and compensation of RMB1.06 million together with legal costs. Pursuant to the judgement by the People’s Court of Yingdong District, Fuyang City, Anhui Province handed down in September 2021, (i) the claim against Mecool Marketing was dismissed and (ii) the event consumables related services provider and the third person who installed the billboard was jointly and severally liable to compensate RMB170,000. In October 2021, each of the plaintiff and the third person who installed the billboard appealed against the judgement. In July 2022, Mecool Marketing received a notice from the court that the appeal case would be heard in August 2022. On 31 August 2022, the Intermediate People’s Court of Fuyang Municipality, Anhui Province handed down the final judgement regarding the appeal case, pursuant to which the first-instance judgement was upheld and the appeal case was dismissed. As advised by our PRC Legal Adviser, the judgement is a final and conclusive judgement in respect of the incident according to the judgement.

In order to prevent recurrences of the incident, we have adopted various internal policies and procedures, particularly concerning the selection, evaluation and supervision of the suppliers and subcontractors in accordance with the applicable laws and regulations.

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We have implemented Supplier Management System (《供應商管理制度》) to regulate our suppliers’ conduct and set out the principles of supplier shortlisting, selection and evaluation as well as responsibilities of the relevant departments. In particular,

- a complete and rigorous credit, qualification and background check shall be conducted before new suppliers can be added to the approved supplier shortlist. Such credit check shall be performed on government websites or on well-recognised third-party search platform and include compliance check (such as whether the candidates are in abnormal operating condition due to credit default or failure to fulfil legal obligations, and whether they are subject to high risk of legal, arbitration or punishment) and shareholding check (such as whether any of the suppliers’ shareholder is a connected person or government organisation). We should visit the office of the supplier for on-site due diligence;
- any framework agreement or contract entered into shall be reviewed by our compliance team to determine whether any provisions are unfavourable or would pose a risk to our Group. Personnel and qualification clause shall be included in the contract to ensure that the supplier will provide qualified, skilled and prudent labour and personnel in sufficient number in accordance with the relevant industry standards and practices for the proper performance of the contract. Suppliers shall be prohibited to use or permit any subcontractor to use any labour and personnel deemed to be incompetent, careless or unqualified for the performance of the contract. Suppliers are required to submit personnel authorisation form to undertake that each labour and personnel, including those provided by the subcontractor are qualified, licensed and insured to the extent required by the application law and regulations for the performance of the contract. The credit and background check result, together with executed agreement or contract shall be submitted to our head of procurement for approval before shortlisted suppliers can be added to our list of approved suppliers. Any approved suppliers who have discontinued their business relationship with us for 12 consecutive months should be removed from the list of approved suppliers and in the future, subject to the same shortlisting assessment procedures; and
- approved suppliers shall be evaluated both on a single transaction basis and on an annual basis based on different criteria such as quality of the products or services provided, level of cooperation, emergency supply capacity, and their settlement history. The evaluation report of each of the suppliers shall be provided to the head of procurement. Approved suppliers who fail to pass the evaluation shall be removed from the list of approved suppliers. Suppliers who had been involved in illegal or illicit activities and provision of counterfeit and substandard goods or services shall be blacklisted.

We have introduced Business Outsourcing Internal Control Management Handbook (《業務外包管理-內控管理手冊》) to provide an overview of the procedures in relation to business outsourcing, which covers the outsourcing system, staff roles and responsibilities, and initiation, implementation and auditing of business outsourcing. In particular,

- the subcontractor selection process shall be open, fair and impartial and merit-based, and should comply with relevant tendering laws if tendering is opted. Our employees shall in no circumstances accept any bribes, rebates or other forms of benefits in the selection process. Subcontractors and their employees shall not solicit business through improper means, such as offering bribes, rebates or other forms of benefits;

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- the procurement department shall submit executed business outsourcing contracts to finance department and other relevant department for record. Measures shall be taken to ensure that our subcontractors strictly fulfil and comply with the business outsourcing contracts;
- subcontractor’s performance of the contract shall be assessed on an on-going basis. Regular and unscheduled on-site inspection shall be carried out to monitor the performance of the subcontractor and assessment results will be recorded. The outsourcing business contract shall be terminated promptly if there is any material breach; and
- acceptance test shall be conducted by our relevant department or staff. Certificate of acceptance shall be issued in case of acceptance, and any abnormalities found during acceptance process shall be reported immediately and dealt with in a timely manner. The assessment results shall be submitted as part of the attachments for payment application, and the payment amount shall be determined based on the payment terms set out in the contract and payment shall be released after obtaining approvals from the head of outsourcing management, finance department and the financial controller.

In addition to the above, with a view to avoiding doubts and confusion in relation to liabilities arising from the performance of our supplier contracts, we have standardised our supplier contracts with provisions stipulating that the suppliers and/or subcontractors shall be solely and fully liable for any loss of life, injury or property damage caused by them during the production, installation and insertion processes, and the same shall also apply to any loss of life, injury or property damage caused by the defects of the products supplied by the suppliers and/or subcontractors during the warranty period.

Based on the above, we have implemented enhanced internal measures internally that we believe to be adequate and effective to prevent the recurrence of the incident.

Incident of Winning Marketing Solution being mentioned in a criminal judgement in relation to a bribery case of an Independent Third Party

One of our principal operating subsidiaries, Winning Marketing Solution, was mentioned (the “**Mention**”) in a criminal judgement (the “**Judgement**”) handed down by Shanghai Putuo District People’s Court (上海市普陀區人民法院) on 27 August 2020 related to a bribery case of Zhang Chu (張楚) (“**Mr. Zhang**”), a government officer who is an Independent Third Party, in 2014 and 2015 (the “**Incident**”). At the relevant time, our executive Director Mr. Sun was the sole director and the legal representative of Winning Marketing Solution and he is currently holding the same positions in Winning Marketing Solution. Also, at the relevant time, our executive Director Mr. Yang was the financial controller of Plus Shanghai, the holding company of Winning Marketing Solution, and the deputy general manager of the Group.

Our Directors consider that such Incident does not negatively impact on our Directors’ suitability to act as a director under Rules 3.08 and 3.09 of the Listing Rules, taking into account, among others to be discussed below, a confirmation dated 20 October 2022 issued by Shanghai Putuo District People’s Procuratorate (上海市普陀區人民檢察院) and Shanghai Putuo District People’s Court (上海市普陀區人民法院) (collectively, the “**Competent Authorities**”), being the authorities directly responsible for the prosecution, adjudication and handing the Judgement in connection with the Incident, confirming that they had not found any of Winning Marketing Solution and its shareholders, their respective legal representatives, directors and other relevant personnel having been involved in the crime of offering bribes by an unit (單位行賄罪) or the crime of offering bribes by individual (行賄罪) in Mr. Zhang’s case, or having been filed, prosecuted, tried and/or sentenced, or having been taken mandatory measures for such reason (the “**Confirmation Letter**”).

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A detailed discussion of the Incident which formed the basis of the Directors’ view is as follows:

(i) *Background, nature, causes and consequences of the Incident*

In late 2014, Winning Marketing Solution was verbally informed by Labour Supervision Corps* of Putuo District, Shanghai (上海普陀區勞動監察大隊) (the “**Putuo Supervision Corps**”) that a former unnamed employee of Winning Marketing Solution had made a complaint (the “**Complaint**”) to the Putuo Supervision Corps against Winning Marketing Solution, disputing the amount of social insurance payable by Winning Marketing Solution to the employee. Consequently, with the aim to enhancing its understanding of employment, labour and social insurance laws, Winning Marketing Solution consulted the Putuo Supervision Corps and was recommended by Mr. Zhang, the then vice head (副大隊長) of the Putuo Supervision Corps, to engage Shanghai Huishun Enterprise Management Co., Ltd.* (上海惠順企業管理有限公司) (“**Shanghai Huishun**”) for obtaining labour-related consultancy and training services. A human resources policy consultancy service agreement* (《人力資源政策諮詢服務會員協議》) (“**HR Services Agreement**”) was entered into between Winning Marketing Solution and Shanghai Huishun in October 2014.

According to the terms of to the HR Services Agreement, Shanghai Huishun shall provide labour-related consultancy and training services, including training its employees on PRC labour laws and management of human resources and attendance to related enquiries (the “**Trainings and Advisory Services**”), for which Winning Marketing Solution paid RMB30,000 (the “**Contractual Price**”). Since the expiry of the HR Services Agreement on 30 September 2015 and up to the Latest Practicable Date, our Group had not had any further cooperation or any other relationship with Shanghai Huishun. The Group had not received any formal enquiries, claims or potential claims in relation to the cooperation with Shanghai Huishun.

On 27 August 2020, Shanghai Putuo District People’s Court (上海市普陀區人民法院) handed down the Judgement stating that pursuant to the applicable PRC laws, Mr. Zhang was convicted for, among others, taking advantage of his various government positions and receiving bribes from various individuals and entities between 2014 and 2019. It was mentioned in the Judgement that between 2014 and 2015, Mr. Zhang, as the then vice head of Putuo Supervision Corps, received bribes in the name of “consulting fees” via Shanghai Huishun from multiple entities including Winning Marketing Solution.

As at the Latest Practicable Date, Winning Marketing Solution, Mr. Sun, Mr. Yang or any of our other Directors and employees had not been subject to any formal or informal investigation, and had not received any claims and potential claims in connection with the Incident.

As confirmed by our PRC Legal Adviser, the Mention has no legal implication or consequence which has material adverse effect on the Company mainly because according to the Criminal Procedure Law of the PRC (《中華人民共和國刑事訴訟法》), no one can be determined guilty without the verdict of the people’s court according to law, neither Winning Marketing Solution, its shareholder nor any of their respective directors and employees had been named as a defendant to the Judgement, and despite the conviction of Mr. Zhang in the Judgement and the Mention, the Judgement has no adverse legal consequences on Winning Marketing Solution.

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(ii) *Views of our Directors and the Joint Sponsors on the Directors’ suitability to act as a director under Rules 3.08 and 3.09 of the Listing Rules*

Our Directors considered that the Incident does not affect Mr. Sun and Mr. Yang’s suitability as our Directors under Rules 3.08 and 3.09 of the Listing Rules. Our Directors consider that the followings justified that Winning Marketing Solution, its directors and employees were not involved in the bribery case as alleged in the Judgement:

1. Winning Marketing Solution was not aware of Mr. Zhang’s relationship with Shanghai Huishun before entering into and during the term of the HR Services Agreement

As part of Winning Marketing Solution’s internal control policy, as confirmed by the then human resource manager, (who is currently holding the position of an office manager and responsible for external media communication) of Winning Market Solution, (the “**Then HR Manager**”), a background search was conducted online against Shanghai Huishun in 2014 prior to entering into the HR Services Agreement to understand the directorship and shareholding structure of Shanghai Huishun, and nothing has come to the Then HR Manager’s attention that may cast doubt on Shanghai Huishun.

2. The transactions under the HR Services Agreement were reasonable and genuine

There was a reasonable and genuine commercial logic in the transaction under the HR Services Agreement. Winning Marketing Solution’s principal business involves acting as customers’ agents and assisting them in recruitment, management of human resources-related administration matters, appraisal and trainings of employee marketers. In light of the importance of human resources to its business model, it was reasonable for Winning Marketing Solution to engage Shanghai Huishun for the provision of Trainings and Advisory Services. Trainings and Advisory Services was in fact then provided by Shanghai Huishun in accordance with the terms and service scope of the HR Services Agreement for the Contractual Price. Hence, our Directors believe the transactions between Winning Marketing Solution and Shanghai Huishun were reasonable and genuine.

3. Winning Marketing Solution had no ulterior illegal motives for entering into the HR Services Agreement. There was no connection between (i) the issuance of Winning Marketing Solutions’ Human Resources Service Permit (the “**Permit**”), being the only permit related to human resources that Winning Marketing Solution holds, and (ii) the HR Services Agreement

As advised by our PRC Legal Adviser, the Human Resources and Social Security Bureau of Shanghai Jiading District (上海嘉定區人力資源和社會保障局) (the “**Jiading HR Bureau**”) is the competent authority in charge of vetting and approval of the issuance, renewal and revocation of the Permit. As further confirmed by the Jiading HR Bureau during an onsite due diligence interview, the Jiading HR Bureau is the responsible and competent authority to issue such Permit to Winning Marketing Solution, and the Permit historically and currently held by Winning Marketing Solution was issued by the Jiading HR Bureau, whereas the Human Resources and Social Security Bureau of Shanghai Putuo District (上海普陀區人力資源和社會保障局) (“**Putuo HR Bureau**”) does not have the authority to consider the granting of Permit to companies registered in the Shanghai Jiading District. As advised by our PRC Legal Adviser and as further confirmed by the Putuo HR Bureau during an onsite due diligence interview, from 2004 (i.e. the year in which Winning Marketing Solution was established) to date, the Putuo Supervision Corps has never had the authority to participate in the vetting process

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concerning the Permit. Accordingly, as confirmed by our PRC Legal Adviser and based on the due diligence interview with the Jiading HR Bureau, according to the applicable PRC laws, Mr. Zhang did not have the relevant authority to participate in the process concerning the vetting and approval for the issuance of the Permit to Winning Marketing Solution.

Moreover, as advised by the Company’s PRC Legal Adviser and confirmed by the Jiading HR Bureau during onsite due diligence interview, Winning Marketing Solution has uninterruptedly been holding the valid and effective Permit issued by the Jiading HR Bureau since April 2011 to date and none of such Permit has ever been revoked nor suspended.

Furthermore, as confirmed by the Jiading HR Bureau, no major penalty had been imposed on Winning Marketing Solution since its establishment in 2004 by the Jiading HR Bureau and the Jiading HR Bureau was not aware of any complaint made against Winning Marketing Solution. Our Directors therefore consider that the issuance and maintenance of the Permit over the years was due to our Group’s compliance of human resource related-matters in material aspects, but not the signing of the HR Services Agreement.

4. Our Directors had no participation in the entering of the HR Services Agreement in 2014 and only had knowledge of the HR Services Agreement in 2021

As confirmed by the Then HR Manager and other relevant employees who were responsible for the negotiation and the approval of the HR Services Agreement, pursuant to the internal guidance on the approval procedures for expenditures at the material times, transactions with an amount of less than RMB50,000 did not require the approval of the then director of Winning Marketing Solution (i.e. Mr. Sun) or authorisation from its holding company. Accordingly, none of our Directors (a) was involved in the negotiation, approval and entering into of the HR Services Agreement with Shanghai Huishun and the payment to Shanghai Huishun; (b) had any personal contact with either Mr. Zhang or Shanghai Huishun. Our Directors only discovered the Judgement in early 2021 during our routine monitoring of media public opinion, and we took prompt action to engage our external PRC legal counsel to evaluate and mitigate any potential impact of the Judgement on Winning Marketing Solution’s reputation and business interests by, among other measures, exploring the practicality of an appeal.

5. Winning Marketing Solution, Mr. Sun and Mr. Yang were not convicted for seeking illegal benefits via bribery nor named as a defendant to the Judgement

As confirmed by our PRC Legal Adviser, the Judgement did not mention that Winning Marketing Solution, Mr. Sun, Mr. Yang and other senior management of the Group had sought any illegitimate gain or interest through Shanghai Huishun or Mr. Zhang had offered any illegal help to Winning Marketing Solution. Furthermore, according to the public searches conducted via wenshu.court.gov.cn (中國裁判文書網), the website of Supreme People’s Procuratorate (最高人民檢察院網站), the website of Supreme People’s Court (人民法院公告網), China’s Enforcement Information Disclosure Website (中國執行信息公開網), our PRC Legal Adviser did not find Winning Marketing Solution, Mr. Sun, Mr. Yang and other senior management of our Group having been convicted by any people’s court for seeking illegal benefits via bribery in relation to the Incident; under the principle of presumption of innocence (i.e. innocence is presumed until guilt is established by trial) and the principle that no one can be determined guilty without the verdict of the people’s court under the Criminal Law of the PRC (中華人民共和國刑法) and the Criminal Procedure Law of the PRC (中華人民共和國刑事訴訟法), and given none of Winning Marketing Solution, Mr. Sun, Mr. Yang and other senior management of our Group was named as a defendant to the Judgement, our PRC Legal Adviser is of the view

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that there are no reasonable circumstances that would lead the Company’s PRC Legal Adviser to believe that Winning Marketing Solution, Mr. Sun, Mr. Yang and other senior management of the Group are guilty in relation to the Incident.

6. We have obtained the Confirmation Letter from the Competent Authorities

In October 2022, the Competent Authorities issued the Confirmation Letter confirming they had not found any of Winning Marketing Solution and its shareholders, their respective legal representatives, directors and other relevant personnel having been involved in the crime of offering bribes by an unit (單位行賄罪) or the crime of offering bribes by individual (行賄罪) in Mr. Zhang’s case, or having been filed, prosecuted, tried and/or sentenced, or having been taken mandatory measures for such reason. Our PRC Legal Adviser is of the view that in terms of criminal proceedings and the outcome of the Judgement, the Confirmation Letter justifies that Winning Marketing Solution, its shareholders, their respective legal representatives, directors and other relevant personnel were not involved in the bribery case of Mr. Zhang. Please also refer to the sub-section immediately following which set out the interpretation and basis of our PRC Legal Adviser on the Confirmation Letter.

Based on the foregoing, the Joint Sponsors concurred with our Directors’ view that the Incident did not impact on our Directors’ suitability to act as a director under Rules 3.08 and 3.09.

(iii) Views of our PRC Legal Adviser on the Confirmation Letter from Competent Authorities

Our PRC Legal Adviser’s interpretation of the Confirmation Letter as aforementioned is as follows:

- (i) according to the Criminal Law of the PRC, the crime of offering bribes by an unit (單位行賄罪) refers to “Where an unit offers bribes for the purpose of securing illegitimate benefits or, in violation of State regulations, gives rebates or service charges to a State functionary”, and the crime of offering bribes (行賄罪) refers to “giving money or property to a State functionary for the purpose of securing illegitimate benefits”. The Judgement did not mention that Winning Marketing Solution, its shareholders and their respective legal representatives, directors and other relevant personnel have sought any improper income or benefits through Shanghai Huishun, nor has Mr. Zhang provided any illegal help to Winning Marketing Solution. Based on the Confirmation Letter and the relevant laws and regulations of PRC, our PRC Legal Adviser is of the view that the Competent Authorities have confirmed that Winning Marketing Solution, its shareholder, and their respective legal representatives, directors and other relevant personnel have not been convicted of a crime in the Mr. Zhang’s case.
- (ii) according to the Criminal Procedure Law of the PRC, the criminal proceedings for a criminal case includes the stages of case filing, investigation, initiation of public prosecution, trial and execution of the case, etc. The “mandatory measures” means such measures taken by the competent authority against the criminal suspect or defendant as compelled to appear before a judge to await trial on bail, put his residence under surveillance, arrest and detention, etc., in light of the circumstances of the case. Based on the Confirmation Letter and the relevant laws and regulations of PRC, our PRC Legal Adviser is of the view that the Competent Authorities have confirmed that Winning

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Marketing Solution, its shareholder, and their respective legal representatives, directors and other relevant personnel have not been involved in the criminal proceedings or being taken mandatory measures in the Mr. Zhang’s case.

Based on the above, our PRC Legal Adviser is of the view that in terms of the criminal proceedings and the outcome of the Judgement, the Confirmation Letter justifies that Winning Marketing Solution, its shareholder, and their respective legal representatives, directors and other relevant personnel were not involved in the bribery case of Mr. Zhang.

(iv) Enhanced internal control measures

We have taken or will take remedial actions promptly to prevent recurrence, including:

1. With the assistance of our external annual retainer counsel, the compliance department in charge of our overall compliance has set up internal legal compliance policies, and will continue to review, monitor and oversee compliance with laws and regulations relevant to our operations as well as the adequacy and effectiveness of regulatory compliance procedures and system on an ongoing basis;
2. The human resource department has established policies with respect to the payment and calculation of social insurance and housing provident fund contributions in accordance with the relevant PRC laws, and the personnel with relevant knowledge and expertise closely follow up with changes or updates to the relevant PRC laws to ensure that we keep abreast of any development in the relevant PRC laws. The payroll of all staff (including the calculation of social insurance) shall be checked by the senior personnel of the human resource department to ensure the correctness and compliance with regulatory requirements;
3. We have established Anti-corruption and Anti-commercial Bribery Guidance* (反腐敗、反商業賄賂規定), which governs our business activities in the course of ordinary course of business with our customers, suppliers, service providers and contractors, pursuant to which (a) all of our customers, suppliers, service providers and contractors shall comply with such guidance by entering into a separate Anti-commercial Bribery Agreement* (反商業賄賂協定) with us, and (b) our key employees are requested to sign Integrity and Self-discipline Undertakings* (廉潔自律承諾書) before signing contracts on behalf of us;
4. Our established procedures of management of selection of the suppliers (供應商管理制度) requires that, for the selection of third-party suppliers, sufficient due diligence on the credibility of the suppliers and the shareholders’ structure (including the ultimate beneficial owner) shall be performed to ascertain, amongst other matters, whether the supplier has any government background. After being selected by us, the suppliers shall enter into Anti-commercial Bribery Agreement (反商業賄賂協定) with us;
5. We have introduced a reporting mechanism and regular declarations of conflicts of interests for all staff and whistleblower policy (such as the setting up of the hotline and designated email account for reporting), as well as provide regular training on corruption and bribery prevention. Any employee found in breach of our anti-bribery and corruption policies and procedures will be disciplined or subject to other punishment;

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6. We have established crisis management procedures, which require the employees to report incidents of any significance (such as the investigation/inspection/queries by the authorities) to the designated senior persons for internal handling and assessment; and
7. We will also consult the PRC Legal Adviser, or other legal advisors, if necessary, to provide assistance in legal and compliance matter.

In preparation for the [REDACTED], we have engaged an Independent Third Party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting in July 2022 (the “**Internal Control Review**”). The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included anti-corruption and anti-bribery, and compliance of applicable PRC regulations in relation to the social insurance and housing provident fund.

The Internal Control Consultant performed the follow-up reviews in October 2022 to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendation in the Follow up Review except for the establishment of the required terms and reference of the Board and its committee (including the appointment of the required Directors), which is expected to be completed by the Group before the [REDACTED]. The Internal Control Review and the Follow-up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Having considered the background of the Mention and the Incident above and the internal control measures adopted by us, our Directors are of the view, and the Joint Sponsors concur, that our enhanced internal control measures are adequate and effective to reasonably prevent re-occurrence of similar incidents.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Adviser, there were no breaches or violations of applicable PRC laws and regulations that may have a material and adverse impact on our business, financial condition or results of operation taken as a whole, and we had obtained all material requisite licences and approvals from relevant governmental authorities for our operations in the PRC.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have designated responsible staff in our Group to monitor the ongoing compliance by our Group with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programmes and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identifying any concerns and issues relating to any potential non-compliance. In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations.

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We have appointed Guotai Junan Capital Limited as our compliance adviser with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and the applicable securities laws and regulations in Hong Kong. During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors are of the view that we have adequate and effective internal control procedures, that the suitability and competency of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules, and that our Company is suitable for [REDACTED] under Rule 8.04 of the Listing Rules.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures in place to implement these accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular trainings to our finance department staff to ensure that they understand our accounting policies.

As at 31 December 2022, our finance team consisted of 22 staff and was headed by Ms. Chen Li, our financial controller, who had more than 21 years of experience in managing financial affairs and was accredited as a non-practising member by the Shanghai Institute of Certified Public Accountants in March 2014 and as a Certified Management Accountant (CMA) in January 2019. For details on biography of Ms. Chen Li, our financial controller, see “Directors and Senior Management — Senior management” in this document. Our finance team has four divisions, namely the capital management division, accounting division, financial analysis division and project financial management division. Each division has its own designated responsibilities, and the division heads are required to report to our financial controller. Each division is required to provide relevant financial information in a timely manner to assist the preparation of the financial report and shall be responsible for the completeness and accuracy of the information provided.

Information system risk management

As at 31 December 2022, our innovation centre team, which was responsible for innovation and R&D, had 50 R&D staff and was headed by Mr. Cui Yanan, our technical controller, who had over 16 years of experience in technology development. For details on biography of our technical controller, see “Directors and Senior Management — Senior management” in this document.

We have implemented various internal procedures and controls to ensure that our data are protected and that leakage and loss of any information is avoided. According to our implemented IT measures, all access keys to our servers, operating systems, network infrastructure, computers, document files must contain at least eight numbers, upper characters and lower characters, and must be changed regularly and in any event should not remained unchanged for more than 90 days. The same requirements also apply to the access keys to our databases and our operating service software. In addition, we have set up appropriate backup strategy to back up our database, our database will be backed up regularly and we have designated specialised staff to check and monitor the records of backups on a daily basis, and resolve anomalies promptly, if any. Moreover, we have formulated a contingency and data recovery plan for the unlikely event of data disaster and we conduct data disaster drills on a regular basis. Lastly, we conduct regular health check of our software to protect them from computer viruses. We utilise anti-virus software built-in our operating system that delivers comprehensive, ongoing and real-time protection, to protect our information system from software threats, such as computer viruses, malware and spyware.

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During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of data, nor did we experience any material infringement and/or unauthorised use of our copyrighted software intellectual properties.

Regulatory compliance risk management

With the assistance of our external annual retainer counsel, our compliance team, which is in charge of our overall compliance, has set up internal legal compliance policies and will continue to review, monitor and oversee compliance with laws and regulations relevant to the Group’s operations as well as the adequacy and effectiveness of regulatory compliance procedures and system on an ongoing basis. We will also consult legal counsels, if necessary, to provide assistance in legal and compliance matter. Our staff manual has set out the general principals relating to contracts and the relevant laws and rules for our staff to follow. Relevant accounting and management internal control system and procedures have been put in place to ensure the compliance with Listing Rules. Further, we have designated staff under our shared service centre team to (i) keep track of our on-going litigations and disputes, document their status and provide an update summary to the senior management for review on a monthly basis; and (ii) obtain and maintain all the necessary permits and licences required for our operations. In addition, our human resource team has established policies with respect to the payment and calculation of social insurance and housing provident fund contributions in accordance with the relevant PRC laws and the staff with relevant knowledge and expertise is required to closely follow up with changes or updates to the relevant PRC laws to ensure that we can keep abreast of any development in the relevant PRC laws. The payroll of our employees (including the calculation of social insurance) shall be checked by the senior staff of our human resource team to ensure the correctness and compliance with regulatory requirements. We continuously improve our internal policies according to changes in laws, regulations and industry standards to ensure ongoing compliance.

Credit risk management

Our credit risk is primarily attributable to trade receivables, financial assets included in prepayments, other receivables and other assets, and cash deposits at banks. We manage credit risks primarily through the following measures:

- we have implemented “know-your-customer” procedures and credit checks to ascertain the background of our potential customers by obtaining their business registration licence;
- we perform credit assessments on potential customers, and require them to prepay for our services before reaching certain threshold to minimise our credit risk exposure;
- we closely monitor the level of our trade receivables and other financial assets and take appropriate action to recover or minimise our loss where we foresee that our customer may default in its obligation; and
- we have credit policy with respect to the credit period granted to our customers depending, on their reputation and size of business, which are subject to our on-going review and revision.

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Operation risk management

We are exposed to various risks in the operations of our business, and we believe that risk management is important to our success. Key operational risks we face include, among others, (i) our ability to maintain relationships with our customers, our ability to retain and grow our user base and our ability to manage a vast network of marketers on a remote basis; (ii) changes and development in laws and regulations for online businesses, including cybersecurity, information security, privacy and data protection regimes, which may create unexpected costs and such laws and regulations may not be clearly defined and may rapidly evolve or restrict our business or cause us to change our technology platform or business model; (iii) our efforts to develop new digitalised tools or functionalities of the same or maintain or improve our IT infrastructure may not succeed.

Anti-bribery and anti-corruption

We have established Anti-corruption and Anti-commercial Bribery Guidance, which governs our business activities in the course of ordinary course of business with our customers and suppliers, pursuant to which all of our customers and suppliers are required to comply with such Guidance by entering into a separate Anti-commercial Bribery Agreement with us. We have established procedures of management of selection of the suppliers, which requires that, for the selection of third party suppliers, sufficient due diligence on the credibility of the suppliers and the shareholding structure (including the ultimate beneficial owner) shall be performed to ascertain, amongst other matters, whether the supplier has any government background. After being selected by the Company, the suppliers shall enter into agreements which include Anti-commercial Bribery clauses. Also, our Anti-corruption and Anti-commercial Bribery Guidance requires our key staff to sign Integrity and Self-discipline Undertakings before signing business contracts on behalf of us. We have also introduced a reporting mechanism and regular declarations of conflicts of interests for our staff and whistleblower policy (such as the setting up of a hotline and designated email account for reporting), as well as provide regular trainings on corruption and bribery prevention. Any staff found in breach of our anti-bribery and corruption policies and procedures will be disciplined or subject to other punishment. In addition, we have also established crisis management procedures, which require the employees to report incidents of any significance (such as the investigation/inspection/queries by the authorities) to the designated senior persons for internal handling and assessment. During the Track Record Period and up to the Latest Practicable Date, we have not received any warning or other notice from such customers that we have breached any of the agreement terms relating to anti-bribery and anti-corruption laws and other standards.

Meanwhile, we have established a comprehensive anti-bribery and corruption oversight mechanism. Relevant policies are in place to explain and define actions that would constitute as fraud, embezzlement, money laundering, irregularities and other misconducts. Our reporting channels are open and available for our staff to report any misconducts by our staff in confidence and on an anonymous basis. We offer training to our employees to enhance their knowledge and awareness of the relevant rules and regulations. We also keep abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements in light of the evolving nature of the industry.

With the assistance of our external annual retainer counsel, our compliance team, which is in charge of our overall compliance, has set up internal legal compliance policies and will continue to review, monitor and oversee compliance with laws and regulations relevant to the Group’s operations as well as the adequacy and effectiveness of regulatory compliance procedures and system on an ongoing basis. We will also consult legal counsels, if necessary, to provide assistance in legal and compliance matter.

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Audit Committee experience and qualification and Board oversight

We have established an audit committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three independent non-executive Directors, namely Mr. Lau, Ms. Li and Mr. Ngan. Mr. Lau, with appropriate accounting and financial management expertise, is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, please see “Directors and Senior Management — Directors — Independent non-executive Directors”.

Our audit department is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Members of finance department hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. Such issues and suggested measures are then submitted to the audit committee on a timely basis. The audit committee then discusses the issues and measures and reports to the Board if necessary.

Ongoing measures to monitor the implementation of risk management policies

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording procedures, fund management policies, and compliance with applicable laws and regulations. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. For the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee, see “Directors and Senior Management — Board Committees — Audit Committee”. We have adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We place emphasis on promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. We have put in place the occupational health and safety of our employees and held ourselves responsible for preventing occupational injuries. Under the safety management policy of the Group, we strictly follow national laws and regulations on fire safety and have established a fire prevention system and implemented measures to response to emergency. Also, we have maintained fire safety equipment and obvious signs for emergency exits in accordance with the relevant laws and the fire safety equipment is checked regularly and the exits are kept clear.

Governance on ESG Matters

We acknowledge our responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with environmental, social, and governance (“ESG”) reporting requirements upon [REDACTED]. Our Board of Directors [has adopted] a comprehensive policy on environmental, social and corporate governance, or ESG, responsibilities (the “ESG Policy”) in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practising corporate social responsibility in our daily operations. Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and based on the ESG Policy, we will evaluate, determine and address our ESG-related risks at least once a year. Our Board

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of Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks. Details of our ESG initiatives are as follows:

1. Adhering to business ethics — We strictly comply with the provisions of laws and regulations relating to anti-corruption and anti-bribery. For strengthening anti-fraud work, we have implemented the Anti-Fraud Management Policy, which opposes and explicitly prohibits corruption, bribe-taking and bribery. The policy prevents all kinds of illegal, disorderly and corrupting behaviours that interfere with and undermine our business activities and secures the reporting rights of our staff in accordance with the laws. In addition, certain of our customers require the inclusion of certain anti-bribery and anti-corruption terms in the framework agreements.
2. Offering quality services using well-maintained digitalised tools — We strive to provide quality services using well-maintained digitalised tools to meet our customers’ evolving needs. In addition, since digitalised tools are essential in supporting our provision of services, we will continue strengthening the core functions of our digitalised tools and enhancing our technological capabilities.
3. Data privacy and security — We treat data security and privacy seriously across our FMES platform. We have implemented internal rules and policies to govern how we may collect, use and share personal information, as well as protocols, technologies and systems to prevent information leakage, damage, tampering, loss and misuse and have a dedicated information security team to observe the implementation of the said rules and policies and ensure the compliance of the same. Also, we have maintained safety technical measures for computer rooms, information centres, data centres and other facilities and equipment to ensure the safety and smooth flow of information. For further details, see “— Data privacy and security” in this section.
4. Protecting employee compensation and benefits — We enter into standard labour contracts with our staff and strictly abide by the terms of the employment contract. We believe that we offer our staff competitive compensation packages and an environment that encourages initiative. We pay labour remuneration in full and on time and gradually increase their salary levels according to social development. As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance and housing provident funds.
5. Fostering a good working environment — We provide on-the-job trainings for our staff to continuously improve the performance and ability of our staff.
6. Consumers’ right to know — With a view to ensuring consumer confidence in our customers’ merchandise and experience in purchasing, we require marketers in our projects to be honest and trustworthy and provide correct product information to consumers.
7. Helping the government improve social issues — We undertake our social responsibility by helping the government to improve social issues, such as recruiting people with disabilities or other difficulties, with the aim of creating an environment where people with and without disabilities and other difficulties can work together and share their joys and hardships.

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8. Responsibility for the environment and resources — We undertake the responsibility of sustainable development and resource conservation, as well as protecting the environment and maintaining the harmony of nature. Owing to the nature of our business and given the non-manufacturing nature of our business, we believe that our operations are not major sources of environmental pollution as they do not involve any significant direct air emissions, wastewater emissions, noise emissions and waste generations. Despite the negligible environmental impact directly caused by us, we fully recognise our social responsibilities in managing the environmental impacts associated with our operations, and we have implemented a number of environment-friendly internal policies to reduce our carbon footprint such as reducing the energy and paper consumption: (i) requiring double-sided printing of documents throughout our offices; (ii) switching off or enabling automatic sleep mode of certain IT equipment; (iii) air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls; and (iv) designating staff to regularly check and turn off idle electrical appliances.
9. Ensuring occupational health and safety of our employees — To ensure occupational health and safety of our employees while they work outdoor or at advertisement truck, engage in the installation and production of outdoor advertisements, light boxes, booths and participate in other special activities organised by the Group, we have implemented safety management system and safety precautions and would enter into safety agreement with our customers and/or suppliers to set out clearly the safety responsibilities and bearing of liabilities during the performance of the contract. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents, claims for personal or property damage or compensation to employees and we did not experience any material non-compliance of health and work safety.

Impact of ESG-related risks

Owing to our business nature, we are not subject to significant health, work safety, social or environmental risks. In addition, we believe that there is no environmental laws and regulations in respect of air and greenhouse gas emissions, discharge into water and land, and generations of hazardous and non-hazardous waste that would cause a significant impact. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labour and work safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations and had not been involved in any material non-compliance issues in respect of any applicable laws and regulations on environmental protection. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future.

Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies. The estimated magnitude of resulting impacts is evaluated over short-, medium- and long-term horizons. In recent years, changing weather patterns due to climate change have increased in frequency of extreme weather conditions. In the medium to long term, increasingly enacted legislation and regulations in response to potential impacts of climate change may have the potential to impact our operations directly or indirectly. We may be required to obtain additional permits, licences or certificates and our customers or our supply chain may also be affected, and may in turn subject us to additional compliance costs and operational restrictions, which could negatively impact our financial condition and results of operations.

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Metrics and targets used for assessment of ESG-related risks

Our Board has set metrics and targets for material KPIs at the beginning of each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Set forth below are some key metrics and targets for the material KPIs we have currently identified:

- (i) *Greenhouse gas emissions.* In relation to pollutants discharged and emissions, due to the nature of our business, our business does not involve direct emission of large amounts of polluted air. Our daily operations mainly involve indirect greenhouse gas emissions from electricity consumption. We aim to reduce carbon emission by improving energy efficiency in our operation, such as (i) switching off or enabling automatic sleep mode of certain IT equipment when they have been inactive for five minutes; and (ii) air conditioning measures including controlling the temperature settings of air conditioning at 25 degrees celsius, regular maintenance of air cooling technologies and optimal timing controls every six months. Also, we have designated staff to regularly check and turn off idle electrical appliances on a daily basis.

In the future, we target to limit our indirect greenhouse gas emissions by maintaining our electricity consumption (i.e. major source of our indirect greenhouse gas emissions) not to exceed our level of electricity consumption for the previous year (i.e. not to exceed 288 kWh per RMB’ million of revenue as the target for FY2023).

- (ii) *Energy and resources consumption.* In relation to the use of energy and resources, the key metrics mainly include the volume of electricity consumed by our offices in kilo-Watt-hour (“kWh”), water consumed by our offices in cubic metre and fuel consumed by our motor vehicles arranged for our employees in litre. The following table sets forth consumption amounts of main energy estimated by us and intensity of energy consumption for the years indicated:

Type of energy/resources	Unit	Consumption		
		FY2020	FY2021	FY2022
Electricity <i>(Note)</i>				
Total consumption amount	kWh	191,667	181,731	178,003
Intensity of electricity consumption	kWh/RMB’ million of revenue	463	437	288
Water <i>(Note)</i>				
Total consumption amount	cubic metre	2,436	2,551	2,173
Intensity of water consumption	cubic metre/RMB’ million of revenue	5.89	6.13	3.52
Fuel				
Total consumption amount	Litre	4,883	6,707	4,351
Intensity of fuel consumption	Litre/RMB’ million of revenue	11.81	16.11	7.04

Note:

This represents electricity and water consumption of our offices which directly paid their respective electricity and/or water bills for the years indicated.

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In the next five years, we strive to optimise resource usage in our daily operations and take initiatives to introduce measures on adopting eco-friendly approaches in our operations. We target to maintain our energy and resources consumption not exceeding our consumption intensities for the previous year (i.e. not exceeding electricity consumption of 288 kWh per RMB’ million of revenue, water consumption of 3.52 cubic metre per RMB’ million of revenue and fuel consumption of 7.04 litre per RMB’ million of revenue as the target for FY2023).

- (iii) *Waste generated.* Our business does not involve direct discharge of pollutants into water and land or generation of hazardous waste. In order to reduce the impact of our disposal of non-hazardous waste on the environment, we monitor our waste discharge level on a regular basis. Non-hazardous wastes generated in our daily operations mainly refer to event materials, which include (i) stage and other large-scale set-up which are made from materials that cannot be reused; (ii) printed promotional materials, such as flyers and leaflets; and (iii) disposables used in sales and marketing activities, such as disposable utensils and sample merchandise, etc.. Generally, after the end of a sales and marketing event, we dispose of or otherwise deal with such event materials as may be instructed by our customers. The following table sets forth purchase amounts of main types of non-hazardous wastes estimated by us for the years indicated:

Type of non-hazardous wastes	Unit	Consumption		
		FY2020	FY2021	FY2022
Stage and other large-scale set-up	Set	3,683	2,408	1,972
Printed promotional materials	Sheet	915,015	323,760	196,087

We have introduced measures on reducing the unnecessary use of materials, such as recommending our employees to extend the service life of event materials and reusing them as many times as possible or in multiple ways to reduce waste. We have worked alongside our customers and other stakeholders in the offline retail operation to reduce, reuse and recycle event materials.

For example, the use of Lucky Radar to distribute electronic discount coupons to consumers for their subsequent purchases at offline retail stores helped reduce usage of paper coupons. Also, our provision of online trainings and quizzes to marketers using MiJob Square helped reduce distribution of printed training materials. In the future, we will continue to look for technologies that offer eco-friendly event materials and explore different approaches to manage event materials in an environmentally sustainable manner.

We target to maintain zero direct discharge of pollutants into water and land and zero generation of hazardous waste. Also, going forward, we target to maintain our consumption of non-hazardous waste not exceeding our consumption level for the previous year (i.e. not exceeding 1,972 sets of stage and other large-scale set-up and around 196,000 sheets of printed promotional materials as the target for FY2023). Meanwhile, we also encourage our suppliers to use less packaging material, actively separate waste generated from marketing events, as well as in our daily operations, recycle event materials to the extent possible and use environmental friendly event materials as much as possible. To further strengthen our ESG practices and actively reduce consumption of event materials, we intend to enlist environmental protection capability as one of our assessment elements when selecting and evaluating our suppliers. We aim to ensure our suppliers are fully competent in carrying out sustainable operations and exerts continuous effort to minimise environmental impact.

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Internally, the FMES platform which supports our business operation encourage paperless operation. Also, we have adopted internal policy to require double-sided printing of documents throughout our offices. All these initiatives aim to reduce our paper consumption and indirect carbon emissions. For each year of the Track Record Period, we purchased approximately 275,500, 231,500 and 218,000 sheets of paper, respectively, for office use. In the future, we target to maintain our purchase of paper for office use not exceeding the number of paper purchased for the previous year (i.e. not exceeding 218,000 sheets of paper as the target for FY2023).

- (iv) Save for the abovementioned targets, we target to maintain zero environmental pollution accidents for our overall environmental matters.

IMPACT OF COVID-19 PANDEMIC ON OUR OPERATIONS

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020. Although conditions have substantially improved since late March 2020 in the PRC, there was a slight rebound of number of confirmed cases of COVID-19 in certain cities afterwards. In 2022, a number of positive COVID-19 cases appeared in certain areas of Shanghai and other locations in China, which eventually led to resurgence of COVID-19 outbreak in various parts of China. In response to COVID-19, the PRC government has from time to time imposed various mandatory quarantine, which included temporary lockdown of residential areas and closures of offline retail stores, offices and workplaces and other facilities, implementation of “closed-door” production or work-from-home arrangement of non-essential business and suspension of public transportation. These measures have caused a temporary decline in the business activities in various industries in which our customers operate and the restricted movement of individuals has disrupted the operations of the offline retail network and consumer demand for certain FMCG merchandise and thus, in turn affect our business operations and financial results. Moreover, our operation efficiency was affected to a certain extent because our staff were required to work from home from time to time.

In view of the PRC government’s recent relaxation of the national COVID-19 prevention measures since December 2022 (such as the PRC authorities releasing measures to accelerate the economic recovery and resume normal operations of the society and the lifting up of quarantine measures and travel restrictions), and notwithstanding the soaring of infections in late December 2022 and early January 2023, our Directors remain cautiously optimistic with our operations in the future. With information currently available to our Directors (including (i) the fact that since December 2022 and up to the Latest Practicable Date, there was no cancellation or postponement of contracts/projects; (ii) the fact that we did not experience any material shortage of labour and the number of average monthly active marketers of over 26,000 for January 2023 remained relatively stable as compared with FY2021 and FY2022; (iii) the number of completed tasks of around 69,000 in January 2023 remained relatively stable as compared with other months in the FY2022; (iv) our Group staff has gradually returned to offices and thus, our operation efficiency has gradually resumed to normal; and (v) market information based on our regular communication with our key customers and suppliers) and after taking into account the governmental measures implemented, up to the Latest Practicable Date, our Directors were not aware of any material adverse impact of such relaxation of the national COVID-19 policy and consequent resurgence of COVID-19 in the PRC since late 2022 on the Group’s operations and financial performance. Furthermore, we believe that although there remain significant uncertainties surrounding the COVID-19 outbreak and its recent resurgence temporarily, which may have a negative impact on our operations and financial performance, for instance our business may be affected by the overall economic condition and consumers’ offline activities due to the recent resurgence of COVID-19 and part of our revenue is floating fee income

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that is linked to our customers’ sales performance, COVID-19 shall not have a permanent impact on us or materially disrupt our business operations as the demand for our services will gradually resume along with the recovery of the retail market, as well as the retail support service market. Our Directors will continue to assess the impact of the COVID-19 on our operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the COVID-19.

During the Track Record Period and up to the Latest Practicable Date, our business operations and financial performance have been temporarily disrupted by COVID-19 and we believe that the business operations of our customers were adversely affected by the COVID-19 pandemic which in turn reduced their willingness in conducting sales and marketing activities, in particular:

- **FY2020** — The COVID-19 pandemic and the corresponding restrictions had a negative impact on (i) the overall sales performance of offline commerce in China; and (ii) our customers’ business operations (including but not limited to change in sales and marketing strategies and temporary closure of offline retail stores), and thus, their demands for our customised marketing solution. Our customers’ demands for roadshows and marketing campaigns shrank as a result of the COVID-19 pandemic. On the other hand, our employee benefit expenses associated with cost of services, administrative expenses and selling and marketing expenses were relatively less in FY2020 mainly due to the introduction of Notice by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises 《人力資源社會保障部、財政部、稅務總局關於階段性減免企業社會保險費的通知》 and Notice by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration on the extension of the implementation period of the policy of phased reduction and exemption of enterprise social insurance premiums and other issues 《人力資源社會保障部、財政部、稅務總局關於延長階段性減免企業社會保險費政策實施期限等問題的通知》. According to the two said Notices, the deduction in social insurance amounted to RMB5.5 million. For FY2020, there was no cancellation or postponement of contracts/projects and we did not incur any expense for projects that could not be recovered as a result of COVID-19.
- **FY2021** — Although there was no large-scale outbreak of COVID-19 in FY2021, our revenue from marketers assignment service decreased because the negative impact of the COVID-19 pandemic caused a slowdown in our customers’ sales, which led to a decrease in the number of customers who engaged us for marketers assignment service. Nevertheless, we still maintained a stable financial performance with 0.7% growth in our revenue and improvement in gross profit margin from 39.6% for FY2020 to 40.9% for FY2021 as we had successfully promoted our tasks and marketers matching service and SaaS+ subscription during the year. For FY2021, there was no cancellation or postponement of contracts/projects and we did not incur any expense for projects that could not be recovered as a result of COVID-19 and we did not receive any government subsidies that are directly related to COVID-19.
- **FY2022** — Notwithstanding the COVID-19 outbreak in early 2022, our revenue increased by 48.5% for FY2022 as compared to FY2021 mainly due to the increase in our revenue from customised marketing solution. Nonetheless, for the same period, 15 contracts were cancelled, postponed or adjusted with less service scope and our Directors estimated and believed that it had resulted in a loss in revenue by RMB13.2 million, representing 2.1% of total revenue for FY2022. Our Directors believe that such cancelled, postponed or adjusted contracts were attributable to the change in our customers’ sales and marketing strategies after having considered, among others, impact of COVID-19 and temporary closure of offline retail stores. In addition, we experienced temporary disruption in daily operations, such as our prolonged settlement process to suppliers as a result of administrative disruptions caused by the

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COVID-19 pandemic and certain of our offices were only allowed to remain opened to a limited extent and thus, most of our Group staff were required to work from home from time to time in response to local social distancing measures. Nonetheless, we had not experienced any material difficulties in collecting payments from our customers. For FY2022 and up to the Latest Practicable Date, save for the said 15 contracts, there was no cancellation, postponement or adjustment of contracts/projects. As of the Latest Practicable Date, all such postponed contracts remained postponed and had not resumed. Further, for FY2022 and up to the Latest Practicable Date, we did not incur any expense for delayed and cancelled projects that could not be recovered as a result of COVID-19 and we did not receive any government subsidies that are directly related to COVID-19.

Throughout the COVID-19 pandemic, we have been taking remedial measures to mitigate the impact of the COVID-19 pandemic. Such remedial measures include implementing various precautionary policies to ensure the safety of our employees who work remotely or on-site at offline retail stores, such as adoption of hygiene equipment, thereby enabling our normal business operations without material disruptions. As such, despite the temporary disruptions caused by COVID-19, we were able to sustain our strong growth momentum for our tasks and marketers matching service and SaaS+ subscription and achieve increase in adjusted net profit (non-HKFRS measure) during the Track Record Period. The aggregate revenue from tasks and marketers matching service and SaaS+ subscription increased by 117.5% from RMB34.1 million for FY2020 to RMB74.2 million for FY2021. The aggregate revenue from tasks and marketers matching service and SaaS+ subscription for FY2022 amounted to RMB109.8 million, representing an increase of 48.0% as compared with FY2021. Meanwhile, we recorded net profit of RMB53.9 million, RMB59.0 million and RMB52.7 million for FY2020, FY2021 and FY2022, respectively.

It would be difficult to predict the future development of the COVID-19 pandemic and its impact on the macro-economy and retail support service industry. The extent of any possible business disruption and the related impact on our financial results and outlook cannot be reasonably estimated at this time. Furthermore, we may in the future experience additional disruptions caused by the COVID-19 pandemic that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- global economic recessions due to reduced level of economic activities and lockdown restrictions, which in turn resulted in decrease in revenue from our services, reductions in subscription duration and value, slower adoption of new technologies and increased price competition;
- inefficiencies, delays and additional costs in sales and marketing and customer service efforts;
- delays or failure to collect receivables from our customers impacted by the COVID-19 pandemic; and
- the possibility that one or more clusters of COVID-19 cases could occur at one of our locations, third-party cloud services providers or other third-party providers, affecting our employees or employees of our customers or other third parties on which we depend.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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Any future outbreak of contagious diseases or similar adverse public health developments, extreme unexpected bad weather, or severe natural disasters would affect all parts of the industry value chain, and in turn our business and operating results. Ongoing concerns regarding contagious disease or natural disasters, particularly its effect on the mobility of consumers, spending patterns regarding merchandise and our customers’ budgets on sales and marketing initiatives, could adversely affect the growth and development of offline sales and marketing services market. Government measures regarding mandatory closure of offices and offline retail stores and restricted mobility of individuals as a result of any outbreak of contagious disease or occurrence of natural disasters could materially and adversely affect the overall economy and thus, further affect our business and operating results.