The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this document together with the accompanying notes. Our audited consolidated financial information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to, those set forth under "Risk Factors".

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, outdoor promotional campaigns, etc. During the Track Record Period, we offer four types of services, including (i) customised marketing solution; (ii) tasks and marketers matching service; (iii) marketers assignment service; and (iv) SaaS+ subscription. Our customised marketing solution helps formulate and implement customised sales and marketing plans of our customers' merchandise at offline retail stores, while our tasks and marketers matching service formulates and implements standardised sales and marketing activities for our customers' merchandise at offline retail stores with a view to enhancing our customers' sales performance and provides matching recommendation on tasks and suitable marketers. Our marketers assignment service focuses on assignment of our employee marketers to execute sales and marketing duties as instructed by our customers at designated offline retail stores, while SaaS+ subscription offers customisation (on an as-needed basis) and subscription for our readily-available digitalised tools.

With a view to generating recurring revenue from a wider range of customers, we launched our tasks and marketers matching service and SaaS+ subscription in 2019 and 2020, respectively. 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 marketers into employee marketers (who have employment relationships with us) and third-party marketers (who do not have any employment or contractual relationships with us). As of the Latest Practicable Date, our marketer pool comprised over 453,000 marketers from more than 320 cities in 31 provinces/municipalities in China and during the Track Record Period, we have accumulated data assets of over 4 million of points of sale.

Our revenue increased by 0.7% from RMB413.6 million for FY2020 to RMB416.3 million for FY2021, and was further increased to RMB618.1 million for FY2022. Customised marketing solution, being our long-established business, contributed the largest share of our revenue, amounting to RMB305.9 million, RMB272.7 million and RMB459.6 million and accounting for 74.0%, 65.5% and 74.4% of our total revenue during each year of the Track Record Period. In response to market demand for result-oriented sales and marketing services that are supported by digitalised tools, we started providing tasks and marketers matching service and SaaS+ subscription in 2019 and 2020, respectively. Driven by our continuous efforts in developing digitalised tools and providing effective services for our customers, we have achieved strong growth in our tasks and marketers matching service and SaaS+ subscription. Revenue from tasks and marketers matching service amounted to RMB32.1 million, RMB59.2 million and RMB82.1 million for FY2020, FY2021 and FY2022, respectively, while revenue from SaaS+ subscription amounted to RMB2.0 million, RMB14.9 million and RMB27.7 million for FY2020, FY2021 and FY2022, respectively. Our gross profit was RMB164.0 million, RMB170.2 million and RMB173.6 million, representing gross profit margin of 39.6%, 40.9% and 28.1% for FY2020, FY2021 and FY2022, respectively. 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. Our adjusted net profit (Non-HKFRS measure) was RMB53.9 million, RMB67.4 million and RMB70.6 million for FY2020, FY2021 and FY2022, respectively. For a complete reconciliation of our non-HKFRS measures to their most comparable HKFRS measures, see "— Non-HKFRS measures" in this section.

BASIS OF PRESENTATION

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("**FVPL**") and financial assets at fair value through other comprehensive income ("**FVOCI**"), which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 to the Accountant's Report included in Appendix I.

In preparation of the Historical Financial Information, all of the new standards, amendments to standards and interpretations are adopted and consistently applied to the Group throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and are expected to continue to be materially affected by a number of key factors, many of which are outside of our control, including the following:

General Factors

Our results of operations have been affected by and will continue to be affected by the general conditions affecting the economy as well as the retail support service industry in China, including:

- the overall economic growth in China and development of China's retail market;
- the growth and competitive landscape of retail support service industry in China, such as the level of maturity of digitalisation in China's retail market and extent of adoption and acceptance of digitalisation and the demand for retail support services by brand owners and distributors in China;
- the advancement in technologies, which may in turn bring substantial opportunities for businesses and created new areas for them to explore; and
- the governmental regulations, policies, initiatives and incentives affecting China's retail support services market.

Unfavourable changes in any of these general industry conditions could negatively affect demand for our services and negatively and materially affect our results of operations. In addition, the COVID-19 pandemic and the corresponding government measures have also broadly affected the retail market in China. For details on impact of COVID-19 pandemic on our business operations and financial results, see "Business — Impact of COVID-19 Pandemic on Our Operations".

Specific Factors Affecting Our Results of Operations

Our results of operations have been, and are expected to continue to be, more directly affected by company-specific factors, including the following major factors:

Our ability to maintain a high quality customer base

Since we started to digitalise our business process in 2012, we have achieved initial success in customer acceptance of our services. Leveraging our early mover advantage in supporting our sales and marketing services with digitalised tools and our focus on serving market-leading brand owners and distributors, we have established a strong customer base which has in turn laid a solid foundation for our development and growth in the offline retail industry. We have a strategic focus on market-leading brand owner customers and other reputable customers as we believe that a high-quality and loyal customer base is crucial to our long-term growth and success.

Capitalising our comprehensive service offerings comprising of (i) professional advice in solving our customers' demand and core challenges, tackling issues and arriving at suitable solutions; (ii) thoughtful and customer-centric services with a focus on listening to and addressing the needs of customers, identifying challenges, and creating long-lasting relationships; and (iii) value-added technical support and assistance in enabling our customers' staff to digitalise their offline operations step by step and maintaining smooth operation of our digitalised tools, we had 57, 59 and 166 customers for FY2020, FY2021 and FY2022, respectively. For the Track Record Period, a majority of our brand owner customers and most of our top five customers in each year of the Track Record Period are market-leading FMCG brand owners (such as 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).

Our ability to maintain a solid customer base has allowed us to expand our business by cross selling our service offerings and digitalised tools, and procuring business partners of our customers to be our new potential customers. Our services connect, integrate and consolidate business entities, and have enabled us to continuously expose ourselves to brand owners, distributors and offline retail stores, forming a pool of potential customers from different background and thus providing us with monetisation opportunities on a recurring basis. Also, we believe that continued expansion of our customer base will help improve brand awareness and reputation, thereby attracting more customers to engage us for our services. During the Track Record Period, we primarily market our services through our direct sales force and a number of free traffic sources, including customer referrals and word-of-mouth. In the future, we may also market our services using channel partners. Going forward, we believe our success will continue to largely depend on our ability to further expand our customer base including not only market-leading customers but also SMEs.

As offline retail operation involves scattered stakeholders, we plan to further develop and launch new digitalised tools with a view to catering for customers from a wider range of industries in addition to the FMCG industry (such as finance and tourism industry) and a greater range of offline retail operation, such as different expected outcomes and a greater variety of daily retail operation. With more comprehensive digitalised tools being available, we plan to encourage more customers to subscribe for our digitalised tools at their own choices for digitalising and standardising their daily retail operation and sales and marketing initiatives.

Our ability to increase customer spending

Our future revenue and business development are dependent on our ability to increase our customers' spending. Over the years, we have been continuously expanding the coverage and applicable circumstances of our service offerings, thereby allowing us to cater to the increasingly diversified customer needs. Meanwhile, we have also upgraded our digitalised tools and developed new features to meet the ever-evolving market demands, thereby enabling better utilisation of our digitalised tools to support our service offerings. We launched our tasks and marketers matching service in 2019 to generate long-term and recurring revenue from a wider range of customers and we then launched SaaS+ subscription in 2020 as an alternative option at a lower cost. We believe that our introduction of result-oriented tasks and marketers matching service and the "performance-based" fee model of our tasks and marketers matching service helped drive the increase in our customers' spending. We generally charge our customers floating performance-based fees calculated based on the results of the performance indicators stipulated by our customers. 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 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. Average revenue per customer remained relatively stable at RMB7.3 million and RMB7.1 million for FY2020 and FY2021. Average revenue from customer then decreased to RMB3.7 million for FY2022, mainly because significant increase in number of customers from 59 for FY2021 to 166 for FY2022. Nonetheless, we achieved significant increase in average revenue per customised marketing solution customer from RMB6.7 million for FY2021 to RMB9.0 million for FY2022. The increase was mainly because some of our existing brand owner customers expanded their spendings on customised marketing solution, which was in line with our strategic focus on brand owner customers which had relatively more budgets on sales and marketing.

We believe that our said strategies in relation to our tasks and marketers matching service and SaaS+ subscription also helped strengthen our relationships with our customers and increase customer stickiness. As we continue to offer and enhance our tasks and marketers matching service and SaaS+ subscription, we are capable of improving customer loyalty and spending to generate long-term and recurring revenue, thereby achieving sustainable growth in the long term.

Our ability to expand the user base of our FMES platform and motivate the offline retail network

Our long-term success depends on the attractiveness of our FMES platform and the growth of our business is also driven by our ability to expand the user base of our FMES platform and motivate the offline retail network, which encompasses distributors, points of sale and marketers. We have accumulated solid customer coverage and established a vast offline retail network. For FY2022, we had 166 customers, including 32 market-leading customers. As at the Latest Practicable Date, we have accumulated an extensive offline retail network covering data assets of over 4 million of points of sale from more than 360 cities in 31 provinces/municipalities in China, and over 453,000 marketers from more than 320 cities in 31 provinces/municipalities in China. Riding on our marketer base, over 72% of the tasks published using digitalised tools had been completed by marketers for FY2022. When marketers use our digitalised tools during on-site implementation, they create data assets. As such, we accumulate data assets using brand popularity of our customers. Our strong and expanding marketer pool 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.

These data assets and offline retail network have faciliated our customers in project planning implementation, and distribution and retail processes, enhancing sales performance and market data analytics, etc. Meanwhile, such data assets and offline retail network have prompted us to acquire more customers, whose feedback to the data assets contributed to more user options and upgraded functions of digitalised tools, which in turn enabled us to attract more users, forming a virtuous circle. Meanwhile, we benefit from and are able to monetise such synergistic effects.

Our ability to manage costs and improve operational efficiency

The profitability of our services depends largely on our ability to enhance the operational efficiency. As labour service fees in relation to the freelance workers provided by third-party service providers and employee benefit expenses form a significant portion of our cost of services, administrative expenses and selling and marketing expenses as well as research and development expenses, our ability to manage costs at a reasonable level while expanding our business is important for our results of operations.

As we continue to expand the scale and scope of our service offerings and functionalities of our digitalised tools, we expect to benefit from economies of scale, which can be demonstrated by our ability to maintain relatively stable as percentage to revenue cost of services, administrative expenses, selling and marketing expenses and research and development expenses. Our cost of services accounted for 60.4%, 59.1% and 71.9% of our revenue for FY2020, FY2021 and FY2022, respectively. Meanwhile, our administrative expenses accounted for 15.6%, 18.2% and 12.6% of our revenue for FY2020, FY2021 and FY2022, respectively. Our selling and marketing expenses accounted for 4.5%, 5.0% and 3.1% of our revenue for FY2020, FY2021 and FY2022, respectively. Our research and development expenses accounted for 2.8%, 2.9% and 4.0% of our revenue for FY2020, FY2021 and FY2022, respectively. We seek to further lower our costs and expenses, in particular our labour service fees. If cost and expenses increase significantly and we could not pass such increases to our customers, our profitability would be materially and adversely affected.

For illustration purposes only, the following table illustrates the sensitivity analysis of hypothetical fluctuation in our cost of services on our profit before income tax during the Track Record Period, assuming all other factors remained constant. The sensitivity analysis adopts hypothetical fluctuations of 5% and 10%.

	Hypothetical fluctuation in the cost of services			
Increase/(decrease) in profit before income tax	**+5%**	**–5%**	**+10%**	**–10%**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
FY2020	(12,480)	12,480	(24,961)	24,961
FY2021	(12,302)	12,302	(24,604)	24,604
FY2022	(22,227)	22,227	(44,454)	44,454

Continuous investment in product and technology innovation

We have made, and will continue to make, significant investments in services and technology development to strengthen our position in the retail support services market, as well as retail sales and marketing services market in China. We will continue to invest resources to attract more talented R&D staff and further develop and apply advanced technologies, such as cloud-based platform as a service (PaaS), big data analytics and various algorithms, to upgrade and develop new functionalities of our digitalised tools and enhance our service offerings. For details, see "Business — 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" and "Business — Research and development".

We incurred research and development expenses of RMB11.7 million, RMB12.2 million and RMB25.0 million for FY2020, FY2021 and FY2022, respectively. Going forward, we will continue to prudently invest resources in R&D in a cost-effective manner to support the long-term growth of our business. We expect such investments will be conducive to driving our business growth and customer loyalty, having a long-term positive impact on our results of operations and growth prospects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgement based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in details in Notes 2 and 4 to the Accountant's Report included in Appendix I to this document. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our financial statements.

Revenue Recognition

Revenues are recognised when or as the control of the services is transferred to our customers. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time.

Control of the service is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before we transfer service to the customer, we presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

We recognise costs incurred in obtaining contracts with customers that are directly associated with the contracts as contract costs if those costs are expected to be recoverable. The contract costs are amortised on a basis consistent with the pattern of the transfer of the services to which the asset relates.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict our performance in satisfying the performance obligation:

- direct measurements of the value transferred by us to our customer; or
- our efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

We adopted output methods to recognise its revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. Our service contracts for which internal or customers' project managers will certify the work on a specific time interval basis over the service period.

The payment terms differed for different customers due to the variety of projects. Tasks and marketers matching service and marketers assignment service are charged on monthly basis while customised marketing solution and SaaS+ subscription services are charged on project basis. Most of the payment is payable with credit term of 30–180 days. We do not intend to give a financing to customers and we make efforts to collect the receivables and timely monitor the credit risk.

For revenue from our services that contain variable consideration such as variations in the performance of the labour and incentive payment, we estimate the amount of consideration to which it will be entitled using the most likely amount. The estimated amount of variable consideration is included in the transactions price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, we update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

We measure the value of services performed based on output method, which is to recognise revenue on the basis of direct measurement of the value of services transferred to the customer to date relative to the remaining services promised to be completed under the service contracts. The services contracts normally complete within a year. We estimate the revenue at the commencement of the service contracts and regularly assesses the progress of projects as well as the financial impact of cost incurred, scope changes, claims and disputes. Our estimate of revenue and the completion status of service contracts requires significant judgement and has a significant impact on the amount and timing of revenue recognised. There are internal and customers' project managers to measure the value of the services completed for each project periodically and issue internal progress reports. We regularly review and revises the estimation of contract revenue prepared for each service contract as the contract progresses based on internal progress reports or confirmation from customers' project managers. See Note 4(a) to the Accountant's Report in Appendix I to this document, for details in relation to our estimates and judgements on revenue recognition.

(a) Customised marketing solution

Our customised marketing solution formulates and implements 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 activities from customised marketing solution all together form a single performance obligation as we provide an integrated service. Revenue is recognised over time as the customers simultaneously receive and consume the benefits provided by our performance.

(b) Tasks and marketers matching service

Our tasks and marketers matching service formulates and implements 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.

Revenue from tasks and marketers matching service is recognised over time as the customers simultaneously receive and consume the benefits provided by our performance.

(c) Marketers assignment service

Our marketers assignment service assigns our employee marketers to execute sales and marketing duties as instructed by our customers at designated offline retail stores and helps 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.

The marketers assignment service revenue is recorded over time as the customers simultaneously receive and consume the benefits provided by our performance of the monthly administration work.

(d) SaaS+ subscription

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 which 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.

(e) Principal versus agent considerations

Determining whether we are acting as a principal or as an agent in the provision of certain services to our customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of our role as a principal or agent, we consider, individually or in combination, whether we control the specified service before it is transferred to our customers, are primarily responsible for meeting customers' specifications, are subject to the risk associated with employment, and have discretion in establishing prices.

We follow the accounting guidance for principal-agent considerations to assess whether we controls the specified service before it is transferred to the customer and also the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service including whether the entity has discretion in selecting suppliers; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified service. Our Directors consider the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgement when assessing the indicators depending on different circumstances. See Note 4(b) to the Accountant's Report in Appendix I to this document, for details in relation to our estimates and judgements on principal versus agent considerations.

(i) Customised marketing solution

Revenue from 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. We act as a principal due to the following reasons:

- We have control over the selection and evaluation of service personnel, such as discretion on salary package and key performance indicators of the staff employed and has the primarily responsibility for the quality and stability of the available staffing resources.

- We are subject to the risks associated with employment of the employees. We have discretion in managing the specified implementation of service plans, such as promotion strategies, personnel scheduling, and daily management plan.

- We are primarily responsible for fulfilling the promise to provide the specified commodities and services to the customers and are subject to risk of failure to fulfil the key performance indicator metrics set by the customers.

- We have price discretion on the amount paid to suppliers and it controls the price setting to our customers based on the nature and timing of individual projects.

(ii) Tasks and marketers matching service

Revenue for tasks and marketers matching service is recognised on a gross basis over time while the costs to fulfil a contract, such as operating cost and labour costs are recognised as cost of services. We act as a principal due to the following reasons:

- We act as organisers and project leaders in providing standardised promotion service implemented, such as budget management, assisting with sales and marketing activities, and other day-to-day operations.
- We are primarily responsible for fulfilling the promise to provide the specified commodities and services to the customers.
- We have discretion on the choice of supplier and resources input in the projects and are subject to risk of failure to fulfil the key performance indicator metrics set by the customers.
- We have price discretion on the amount paid to suppliers and it controls the price setting to our customers based on the nature and timing of individual projects.

(iii) Marketers assignment service

Revenue from marketers assignment service is recognised on a net basis over time which the labour costs paid to the employees are recorded as net off revenue. We act as an agent due to the following reasons:

- We provide advice to the customers but lack of control over the services implementation plan.
- We have no control over the daily performance or work schedule of the labour. For example, we have no discretion on salary level of staff employed.
- We assist the selection of and signing off of the labour contracts with hired personnel according to the final decision made by the customers. We have minimal risk on the recruited employees as we could receive full recovery on the labour costs from its customers.

(iv) SaaS + subscription

Revenue for SaaS+ subscription is recognised on a gross basis over time while the costs to fulfil a contract, such as operating costs and labour costs for the set up services are recognised as cost of services. We act as a principal due to the following reasons:

- We are the organiser of the services and primarily responsible for fulfilling the promise to provide the specified services to the customers.
- We control the specified data and the digitalised tools before it is transferred to the customer.
- We have the discretion on the choice of supplier and resources input in the projects and are subject to risk of failure to fulfil the requirement from the customers.
- We have price discretion on the amount paid to suppliers and it controls the price setting to our customers based on the nature and timing of individual projects.

(f) Existence of significant financing component

We do not expect to have any contracts where the period between the transfer of the promised services to our customer and payment by our customer exceeds one year. As a consequence, we do not adjust any of the transaction prices for the time value of money.

(g) Practical expedient

As a practical expedient, we elected not to disclose the information for remaining performance obligations of our services as the contract have an original expected duration of less than one year.

See Note 2.22 to the Accountant's Report in Appendix I to this document for further details.

Current and deferred income taxes

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

We are principally subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made. Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. See Note 4(d) to the Accountant's Report in Appendix I to this document, for details in relation to our estimates and judgements on current and deferred income taxes.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our Company and our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. See Note 2.19 to the Accountant's Report in Appendix I to this document for further details.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. We hold the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables from our certain customers, whose contractual cash flows represent solely payments of principal and interest, were factored to reputable financial institutions under non-recourse factoring arrangement according to our daily fund management needs. These trade receivable's business model are therefore achieved both by collecting contractual cash flows and selling these assets and measures them subsequently at fair value through OCI.

See Note 3.1(b)(iii) to the Accountant's Report in Appendix I to this document, for our impairment policies and Note 2.12 to the Accountant's Report in Appendix I to this document for accounting policies on trade and other receivables.

Contract assets and contract liabilities

Upon entering into a contract with a customer, we obtain rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligation. Conversely, a contract liability represents our obligation to transfer the aforesaid services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. See Note 4(a) and Note 2.13 to the Accountant's Report in Appendix 1 to this document for more details on the criteria and timing for recognition of revenue including how we assess and determine the amount of unbilled work in progress in relation to services render to customers.

Contract assets are assessed for expected credit losses, further details are set out in Note 3.1(b)(iii) to the Accountant's Report in Appendix I to this document, and are reclassified to receivables when the right to the consideration has become unconditional. See Note 2.13 to the Accountant's Report in Appendix I to this document for accounting policies on contract assets and contract liabilities.

Impairment loss of trade receivables and contract assets

Our Group follows the guidance of HKFRS 9 to determine whether trade receivables and contract assets are impaired. Significant judgement is exercised on the assessment of the risk of default and expected credit losses from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including payments schedule, customers' financial positions and expected future change of credit risks, including consideration of factors such as general economy measure, changes in macro-economic indicators, etc. See Note 3.1(b)(iii) to the Accountant's Report in Appendix I to this document, for details of assumptions and inputs used, and Note 4(c) to the Accountant's Report in Appendix I to this document, for details in relation to our estimates and judgements on impairment loss of trade receivables and contract assets.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table summarises the consolidated statements of comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this document.

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	413,571	416,289	618,110
Cost of services	(249,605)	(246,040)	(444,543)
Gross profit	163,966	170,249	173,567
Administrative expenses	(64,312)	(75,886)	(77,874)
Selling and marketing expenses	(18,704)	(20,769)	(19,308)
Research and development expenses	(11,743)	(12,161)	(25,019)
Other income	8,393	24,688	27,894
Other gains — net	240	464	1,002
Reversal of impairment losses/(impairment losses) on financial assets	257	(463)	(553)
Operating profit	78,097	86,122	79,709
Finance income	61	136	162
Finance costs	(4,554)	(4,916)	(3,073)
Finance costs — net	(4,493)	(4,780)	(2,911)
Share of (losses)/profit of associates — net	(169)	111	(200)
Profit before income tax	73,435	81,453	76,598
Income tax expenses	(19,538)	(22,443)	(23,896)
Profit for the year	53,897	59,010	52,702
Attributable to:			
Owners of the Company	53,874	58,664	52,702
Non-controlling interests	23	346	—
	53,897	59,010	52,702
Total comprehensive income for the year attributable to:			
Owners of the Company	53,874	58,664	52,702
Non-controlling interests	23	346	—
	53,897	59,010	52,702
Earnings per share attributable to the owners of the Company			
Basic and diluted (expressed in RMB per share)	0.54	0.59	0.53

Non-HKFRS measures

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe that such measure provides useful information to [REDACTED] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net profit (non-HKFRS measure) may not be comparable to similarly titled measures presented by other companies.

We defined adjusted net profit (non-HKFRS measure) as profit for the years adjusted by adding back [REDACTED]. We exclude [REDACTED] because [REDACTED] are expenses related to the [REDACTED]. Therefore, [REDACTED] is added back to the adjusted net profit (non-HKFRS measure) with a view to eliminating the potential impacts of such items. The Directors believe that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measure provides useful information to potential [REDACTED] and management in better reflecting our underlying operating performance and facilitating a better comparison of our underlying operating performance from period to period. Adjusted net profit (non-HKFRS measure) is not a measure required by, or presented in accordance with, HKFRS. The use of adjusted net profit (non-HKFRS measure) has limitations as an analytical tool, and you should not consider it insolation from, or as a substitute for analysis of, our results of operations or financial position as reported under HKFRS.

The following table reconciles our adjusted net profit for the years (non-HKFRS measure) presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	53,897	59,010	52,702
Add:			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-HKFRS measure)	53,897	67,380	70,555

Our adjusted net profit (non-HKFRS measure) amounted to RMB53.9 million, RMB67.4 million and RMB70.6 million for FY2020, FY2021 and FY2022, respectively. Our adjusted net profit margin (non-HKFRS measure) was 13.0%, 16.2% and 11.4% for FY2020, FY2021 and FY2022, respectively.

Revenue

During the Track Record Period, we generated revenue primarily from services fees charged on (i) customised marketing solution, (ii) tasks and marketers matching service, (iii) marketers assignment service and (iv) SaaS+ subscription. For FY2020, FY2021 and FY2022, our total revenue amounted to RMB413.6 million, RMB416.3 million and RMB618.1 million, respectively.

The following table sets forth a breakdown of 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**

Customised marketing solution

Our customised marketing solution formulates and implements 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. See "Business — Our service offerings — Customised marketing solution" for further details. For FY2020, FY2021 and FY2022, we derived revenue from our customised marketing solution of RMB305.9 million, RMB272.7 million and RMB459.6 million, respectively, accounting for 74.0%, 65.5% and 74.4% of our total revenue for the corresponding periods.

Tasks and marketers matching service

Our tasks and marketers matching service formulates and implements 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. See "Business — Our service offerings — Tasks and marketers matching service" for further details. For FY2020, FY2021 and FY2022, we derived revenue from our tasks and marketers matching service of RMB32.1 million, RMB59.2 million and RMB82.1 million, respectively, accounting for 7.7%, 14.2% and 13.3% of our total revenue for the corresponding periods.

Marketers assignment service

Our marketers assignment service assigns our employee marketers to execute sales and marketing duties based on our customers' instructions at designated offline retail stores and helps 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. See "Business — Our service offerings — Marketers assignment service" for further details. For FY2020, FY2021 and FY2022, we derived revenue from our marketers assignment service of RMB73.6 million, RMB69.4 million and RMB48.7 million, respectively, accounting for 17.8%, 16.7% and 7.8% of our total revenue for the corresponding periods.

Revenue for marketers assignment service is recognised on a net basis over time which the labour costs paid to the employees are recorded to net off gross transaction amounts. While we enter into employment contracts with the employee marketers, under applicable accounting treatment, we are treated as our customers' agent. Detailed analysis on the accounting treatment for recognising revenue for marketers assignment service on a net basis, in particular, according to HKFRS 15 B35A(b) and B37 is set out below:

(i) the selection and recruitment of employee marketers candidates are designated/confirmed by our customers, whereas we may recommend employee marketers with appropriate experience and skills to our customers at the recruitment process;

(ii) we should carry out marketers assignment service according to the implementation plan which was approved by our customers at early stage and any amendment to the implementation plan requires further approval by our customers;

(iii) we do not have discretion over the daily performance and work schedule of the employee marketers but we may provide advice to our customers on the implementation of sales and marketing services carried out by the employee marketers with a view to improving sales performance and providing customer's designed trainings as required by our customers to the employee marketers in order to enhance their work performance;

(iv) the level of salaries of employee marketers is determined by our customers and any adjustment to the level of salaries of employee marketers must be approved by our customers; and

(v) if our customers consider that performance of any employee marketer being unsatisfactory, our customers have the right to request the replacement of such employee marketer. We generally do not have discretion over the dismissal of employee marketers.

Based on the above, 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, may indirectly (positively) affect the performance of employee marketers (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 marketers 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 marketers 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 marketers assignment service and reconciliation between the gross transaction amounts and revenue recognised:

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

SaaS+ subscription

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. See "Business — Our service Offerings — SaaS+ subscription". The revenue from our SaaS+ subscription was RMB2.0 million, RMB14.9 million and RMB27.7 million, accounting for 0.5%, 3.6% and 4.5% of our total revenue for FY2020, FY2021 and FY2022, respectively.

Geographical area

All our revenue are based in the PRC for the Track Record Period. The following table sets forth a breakdown of our revenue by geographical area of our customers for the years indicated:

	FY2020		FY2021		FY2022	
	Revenue		*Revenue*		*Revenue*	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
East China[1]	181,887	44.0	200,184	48.1	226,853	36.7
South China[2]	203,703	49.3	154,035	37.0	327,642	53.0
North China[3]	24,272	5.9	54,394	13.1	54,952	8.9
Others[4]	3,709	0.9	7,676	1.8	8,663	1.4
Total	**413,571**	**100.0**	**416,289**	**100.0**	**618,110**	**100.0**

Notes:

(1) Included customers from Jiangsu, Shanghai, Zhejiang and other provinces/municipalities in East China.

(2) Included customers from Guangdong, Guangxi and Hainan.

(3) Included customers from Beijing, Tianjin, Shanxi and other provinces/municipalities in North China.

(4) Included customers from Hubei, Sichuan, Henan and other provinces/municipalities in China except East China, South China and North China.

We generated most of our revenue from customers located in East China and South China, which in aggregate contributed revenue of RMB385.6 million, RMB354.2 million and 554.5 million and accounted for 93.2%, 85.1% and 89.7% of our total revenue for each year during the Track Record Period, respectively. Our revenue generated from customers located in North China increased substantially from 5.9% of our total revenue for FY2020 to 13.1% and 8.9% of our total revenue for FY2021 and FY2022, respectively, mainly because we expanded our business presence in Beijing and thus, generated increased revenue from customers in Beijing.

Floating fees income

During the Track Record Period, we charged our customers fixed service fees and/or floating fees for our customised marketing solution, tasks and marketers matching service and marketers assignment service. The following table sets forth a breakdown of our revenue from floating fees income by types of services for the years indicated:

	FY2020		**FY2021**		**FY2022**	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Customised marketing solution	7,739	1.9	7,674	1.8	3,294	0.5
Tasks and marketers matching service	17,103	4.1	34,869	8.4	45,575	7.4
Marketers assignment service	11,016	2.7	10,104	2.4	6,536	1.1
SaaS+ subscription *(Note)*	—	—	—	—	—	—
Total	**35,858**	**8.7**	**52,649**	**12.6**	**55,405**	**9.0**

Note: There are no floating fees arrangements for our SaaS+ subscription services. We generally charge our customers with fixed service fees for customisation of our digitalised tools on a as-needed basis and a fixed subscription fee over the contract period, which is determined with reference to similar digitalised tools in the market.

Customised marketing solution

For FY2020, FY2021 and FY2022, our floating fees income generated from customised marketing solution amounted to RMB7.7 million, RMB7.7 million and RMB3.3 million, representing 2.5%, 2.8% and 0.7% of our revenue generated from customised marketing solution, respectively.

Our floating fees income generated from customised marketing solution remained relatively stable at RMB7.7 million for both FY2020 and FY2021. Our floating fees income generated from customised marketing solution decreased significantly from RMB7.7 million for FY2021 to RMB3.3 million for FY2022, which was primarily due to the decrease in the proportion of floating fees arrangement and some of our newly engaged projects were charged on fixed fee basis only.

Tasks and marketers matching service

For FY2020, FY2021 and FY2022, our floating fees income generated from tasks and marketers matching service amounted to RMB17.1 million, RMB34.9 million and RMB45.6 million, representing 53.2%, 58.9% and 55.5% of our revenue generated from tasks and marketers matching service, respectively. The increasing trend of our floating fee income generated from tasks and marketers matching service from FY2020 to FY2022 was generally in line with the growth of our tasks and marketers matching service business.

During the Track Record Period, there was no material differences between the amounts of floating fees income estimated/calculated and recognised by the Group and the amounts of floating fees confirmed by our customers.

Marketers assignment service

For FY2020, FY2021 and FY2022, our floating fees income generated from marketers assignment service amounted to RMB11.0 million, RMB10.1 million and RMB6.5 million, representing 15.0%, 14.6% and 13.4% of our revenue generated from marketers assignment service, respectively.

For FY2020 and FY2021, our floating fees income generated from marketers assignment service remained relatively stable at RMB11.0 million and RMB10.1 million, respectively. Our floating fee income generated from marketers assignment service decreased from RMB10.1 million for FY2021 to RMB6.5 million for FY2022, which was generally in line with the decrease in revenue generated from marketers assignment service over the same period.

Cost of services

Our cost of services primarily consisted of (i) labour service fees; (ii) employee benefit expenses; (iii) event consumables; (iv) travel and transportation expenses; (v) research, development and technical service expenses; (vi) impairment losses on inventories; and (vii) other expenses. For FY2020, FY2021 and FY2022, our cost of services amounted to RMB249.6 million, RMB246.0 million and RMB444.5 million, respectively.

The following table sets forth a breakdown of our cost of services and as a percentage of our cost of services for the years indicated:

	FY2020		**FY2021**		**FY2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Labour service fees(1)	197,806	79.3	182,310	74.2	154,263	34.7
Employee benefit expenses(2)	7,659	3.1	9,424	3.8	248,792	56.0
Event consumables(3)	29,238	11.7	38,354	15.6	22,320	5.0
Travel and transportation expenses	10,030	4.0	10,611	4.3	9,315	2.1
Research, development and technical service expenses(4)	1,285	0.5	4,729	1.9	8,823	2.0
Impairment losses on inventories(5)	1,755	0.7	—	—	—	—
Other expenses	1,832	0.7	612	0.2	1,030	0.2
Total	**249,605**	**100.0**	**246,040**	**100.0**	**444,543**	**100.0**

Notes:

(1) Labour service fees mainly represented fees incurred in relation to third-party marketers engaged through labour service providers.

(2) Employee benefit expenses mainly represented salaries and benefits paid to our staff (including Group staff and employee marketers).

(3) Event consumables mainly represented production costs, event materials purchase fees, meeting and training fees and venue fees.

(4) Research, development and technical service expenses mainly represented the expenses associated with the provision of SaaS+ subscription.

(5) Impairment losses on inventories mainly represented provision of loss allowance for our candy products.

The following tables sets forth the breakdown of our cost of services by type of services.

	FY2020		FY2021		FY2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customised marketing solution	218,414	87.5	190,684	77.5	368,665	82.9
Tasks and marketers matching service	21,770	8.7	42,474	17.2	61,676	13.9
Marketers assignment service	8,003	3.2	7,779	3.2	4,980	1.1
SaaS+ subscription	1,418	0.6	5,103	2.1	9,222	2.1
Total	**249,605**	**100.0**	**246,040**	**100.0**	**444,543**	**100.0**

The significant increase in cost of services associated with customised marketing solution from RMB190.7 million for FY2021 to RMB368.7 million for FY2022 was mainly because the revenue contribution of three of our top five customers for the Track Record Period, increased from 19.6% of our revenue for FY2021 to 50.2% for FY2022. Such increase in contribution was mainly due to the fact that these three customers switched from our marketers assignment service to our customised marketing solution, to cater for changes in their sales and marketing strategies in response to the prevailing changes in their industries. The employee benefit and disbursements paid to these employee marketers were originally recorded to net-off the gross transaction amounts of revenue generated from marketers assignment services, where under customised marketing solution, such expenses were recorded in full in our cost of services as employee benefit expenses. Further, the customised marketing solution projects in relation to these customers were relatively more labour intensive than our other customised marketing solution projects as these customers required their products to be promoted in multi-locations with an aim to improve their sales performances. Thus, compared with other promotional activities and marketing events, which may require more event consumables rather than labour, these projects required more of our employee marketers to cover such locations.

Labour service fees

Labour service fees of customised marketing solution and tasks and marketers matching service mainly represented fees incurred in relation to third-party marketers engaged through labour service providers for on-site implementation of our services, whereas labour service fees of marketers assignment service mainly represented service fees of third-party human resources agencies relating to the payment of social insurance and housing provident funds for certain of our employees. These third-party marketers are not employees of the Group and we do not directly pay them. 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. Remuneration of third-party marketers engaged by the Group for tasks and marketers matching service varies for different tasks, which generally includes a combination of fixed fees, which are calculated based on their actual attendance or number of completed tasks, 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. For further details, see "Business — Our service network and marketers — Our service network — Relationship with third-party marketers". The following table sets forth the breakdown of labour service fees by type of services during the Track Record Period:

	FY2020		FY2021		FY2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customised marketing solution	173,622	87.8	138,635	76.0	91,975	59.6
Tasks and marketers matching service	21,364	10.8	41,490	22.8	60,651	39.3
Marketers assignment service	2,820	1.4	2,185	1.2	1,637	1.1
Total	**197,806**	**100.0**	**182,310**	**100.0**	**154,263**	**100.0**

Our labour service fees decreased from RMB197.8 million for FY2020 to RMB182.3 million for FY2021. The decrease was mainly attributable to the scale-down of our customised marketing solution projects with one of our top five customers during the Track Record Period resulting in the decrease in our demand for third-party marketers provided by labour service providers, which in turn led to a decrease in our labour service fees associated with customised marketing solution. Such decrease in labour service fees associated with customised marketing solution was in line with the decrease in our revenue from customised marketing solution. The effect of such decrease was partially offset by the increase in labour service fees associated with our tasks and marketers matching service, which was in line with our growth of business in tasks and marketers matching service as we mainly engaged third-party marketers for the implementation of our tasks and marketers matching service projects.

Our labour service fee then decreased from RMB182.3 million for FY2021 to RMB154.3 million for FY2022. The decrease was mainly attributable to the decrease in labour service fees associated with customised marketing solution as our Group began to assign employee marketers in the provision of customised marketing solution and thus, engaged less third-party marketers for the implementation of our customised marketing solution projects. On the other hand, as we mainly relied on third-party marketers in the provision of our tasks and marketers matching service, our labour service fees associated with our tasks and marketers matching service increased, which was generally in line with the increase in our revenue from tasks and marketers matching service from FY2021 to FY2022.

The following table sets forth the breakdown of number of manshift performed by third-party marketers for the implementation of our customised marketing solution and tasks and marketers matching service projects during the Track Record Period:

	FY2020	FY2021	FY2022
Number of manshift performed by third-party marketers for the implementation of *(Note)*:			
— Customised marketing solution	723,539	716,972	491,712
— Tasks and marketers matching service	313,363	549,063	681,937
Total	1,036,902	1,266,035	1,173,649

Note: The number represents the aggregate number of manshift performed by third-party marketers for the implementation of our customised marketing solution and tasks and marketers matching service projects throughout the entire indicated year. For the avoidance of doubt, it does not represent the total number of distinct individual as third-party marketers could work on multiple projects throughout the entire indicated year.

For FY2020, FY2021 and FY2022, the number of manshift performed by third-party marketers for the implementation of tasks and marketers matching service was 313,363, 549,063 and 681,937, respectively, the increasing trend was generally in line with the growth of our tasks and marketers matching service business. The average cost per manshift of third-party marketers for tasks and marketers matching service amounted to RMB68.2, RMB75.6 and RMB89.0 for FY2020, FY2021 and FY2022, respectively. The average cost per manshift increased RMB68.2 for FY2020 to RMB75.6 for FY2021, which was comparable with the average cost per manshift for FY2020. For FY2022, with a view to ensuring the quality of our services and maintaining a stable marketer base, we adjusted the calculation basis of the remuneration of the marketers. For FY2020 and FY2021 the remuneration of the marketers is calculated based on the marketers' attendance and a simple piece-rate sales commission. In FY2022, we introduced a diversified incentives structure, (i) where the marketers would be eligible for higher commission rates if certain sales target are achieved; and (ii) progressive piece-rate sales commission to incentivise the marketers to increase sales, and such adjustments had resulted in the increase in average cost per manshift from RMB75.6 for FY2021 to RMB88.9 for FY2022.

For FY2020, FY2021 and FY2022, the number of manshift performed by third-party marketers for the implementation of customised marketing solution was 723,539, 716,972 and 491,712, respectively. For FY2021, the decrease was generally in line with the decrease in revenue generated from customised marketing solution. For FY2022, the decrease was mainly because we began to assign employee marketers in provision of customised marketing solution for FY2022 and thus, resulted in less manshift performed by third-party marketers.

Employee benefit expenses

Employee benefit expenses mainly represented salaries and benefits paid to our staff (including Group staff and employee marketers). The following table sets forth the breakdown of employee benefit expenses by type of services during the Track Record Period:

	FY2020		**FY2021**		**FY2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customised marketing solution	3,328	43.5	3,402	36.1	244,968	98.5
Tasks and marketers matching service	147	1.9	463	4.9	604	0.2
Marketers assignment service	4,169	54.4	5,276	56.0	2,968	1.2
SaaS+ subscription	15	0.2	283	3.0	252	0.1
Total	**7,659**	**100.0**	**9,424**	**100.0**	**248,792**	**100.0**

Our employee benefit expenses increased from RMB7.7 million for FY2020 to RMB9.4 million for FY2021. The increase was mainly attributable to the increase in such expenses associated with marketers assignment service as additional Group staff were recruited to meet the increased demand for our marketers assignment service for FY2021. In addition, the Social Insurance Contribution Reduction Policy introduced in 2020 under 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》(the "**Social Insurance Contribution Reduction Policy**") was not renewed in 2021 resulting in the increase in social insurance contribution for all staff, which in turn led to an increase in employee benefit expenses.

Our employee benefit expenses increased significantly from RMB9.4 million for FY2021 to RMB248.8 million for FY2022. The increase was mainly attributable to the significant increase of employee benefit expenses associated with customised marketing solution by RMB241.6 million as some of our marketers assignment service customers switched to our customised marketing solution. The employee benefit and disbursements paid to these employee marketers were originally recorded to net-off the gross transaction amounts of revenue generated from marketers assignment services, where under customised marketing solution, such expenses were recorded in full in our cost of services as employee benefit expenses. Further, the customised marketing solution projects in relation to these customers were relatively more labour intensive than our other customised marketing solution projects as these customers required their products to be promoted in multi-locations with an aim to improve their sales performances. Thus, compared with other promotional activities and marketing events, which may require more event consumables rather than labour, these projects required more of our employee marketers to cover such locations.

The following table sets forth the movement in the number of (i) our Group staff under the business and development department responsible for project implementation whose staff costs were directly related to the employee benefits expenses under costs of services and (ii) employee marketers during the year indicated:

	FY2020	FY2021	FY2022
Number of our Group staff under the business and development department responsible for project implementation			
Total number of staff as at the beginning of the year	60	65	65
Add: number of staff recruited during the year	36	31	11
Less: number of staff exited during the year	31	31	36
Total number of staff as at the end of the year	65	65	40
Average number for the year[(1)]:	63	65	53
Number of our employee marketers			
Total number of employee marketers as at the beginning of the year	—	—	5,087
Add: number of employee marketers retained during the year[(2)]	—	—	932
Less: number of employee marketers exited during the year	—	—	1,618
Total number of employee marketers as at the end of the year	—	—	4,401

Note:

1. the average number of our Group staff under our business and development department responsible for project implementation are calculated based on the sum of the number of Group staff under our business and development department responsible for project implementation at the beginning of the year and at the end of the year divided by two.

2. For FY2022, some of our marketers assignment service customers switched to our customised marketing solution to cater changes in their sales and marketing strategies in response to the prevailing changes in their industry. The employee benefit and disbursements paid to these employee marketers were originally recorded to net-off the gross transaction amounts of revenue generated from marketers assignment services, where under customised marketing solution, such expenses were recorded in full in our cost of services as employee benefit expenses. For FY2020 and FY2021, we mainly relied on third-party marketers for the implementation of our customised marketing solution projects.

For FY2020 and FY2021, the average number of Group staff under our business and development department responsible for project implementation remained relatively stable at 63 and 65.

For FY2022, the average number of Group staff under our business and development department responsible for project implementation decreased to 53 from 65 for FY2021, the decrease was primarily due to our decision to release some of our basic supporting staff as we further streamlined our administrative and secretarial works.

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 changes in their sales and marketing strategies in response to the prevailing changes in their industry. Having considered our relatively long-term business relationships with certain of our customers and our strategies to place more focus and resources on retaining business relationship with them, we started retaining and switching certain employee marketers from marketers assignment service into customised marketing solution. Due to the different accounting treatments of customised marketing solution and marketers assignment service, such switch had an impact on our financial performance, being increase in both overall revenue and cost of sales, and as a result a decrease in our overall gross profit margin at the same time with the gross profit contributed from these three customers unaffected. Notwithstanding that the cost per employee marketers is higher, our Directors believe using employee marketers for customised marketing solution is beneficial in (i) enhancing stability of workforce; and (ii) ensuring guaranteed and enhanced work performance by these staff as they are generally familiar with the operations and performance standards required by the relevant customers. As at 31 December 2022, we had 4,399 employee marketers. In general, the movements in the number of our employee marketers are highly correlated with the completion and progress of our customised marketing solution projects which executed by our employee marketers.

Gross profit and gross profit margin

Our gross profit was RMB164.0 million, RMB170.2 million and RMB173.6 million respectively, for FY2020, FY2021 and FY2022. Our gross profit margin was 39.6%, 40.9% and 28.1%, respectively, in the same periods.

Customised marketing solution

For customised marketing solution, our gross profit was RMB87.5 million, RMB82.0 million and RMB91.0 million for FY2020, FY2021 and FY2022, respectively, while our gross profit margin was 28.6%, 30.1% and 19.8% for the same period.

Tasks and marketers matching service

For tasks and marketers matching service, our gross profit was RMB10.4 million, RMB16.8 million and RMB20.4 million for FY2020, FY2021 and FY2022, respectively, while our gross profit margin was 32.2%, 28.3% and 24.8% for the same period.

Marketers assignment service

For marketers assignment service, our gross profit was RMB65.6 million, RMB61.6 million and RMB43.7 million for FY2020, FY2021 and FY2022, respectively, while our gross profit margin was 89.1%, 88.8% and 89.8% for the same period.

SaaS+ subscription

For SaaS+ subscription, our gross profit was RMB555,000, RMB9.8 million and RMB18.5 million for FY2020, FY2021 and FY2022, respectively, while our gross profit margin was 28.1%, 65.8% and 66.7% for the same period.

The following table sets forth a breakdown of our gross profit and gross profit margin by service types 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**

Administrative expenses

Our administrative expenses consisted of (i) labour service fees, (ii) employee benefit expenses (including directors' emoluments), (iii) travel and transportation expenses, (iv) amortisation and depreciation, (v) office expenses, (vi) other taxes and levies, (vii) [REDACTED], (viii) auditor's remuneration — audit services, and (ix) other expenses. Our administrative expenses amounted to RMB64.3 million, RMB75.9 million and RMB77.9 million for FY2020, FY2021 and FY2022, respectively.

During the Track Record Period, the fluctuation of our labour service fees under administrative expenses was minimal, and remained relatively stable at RMB11.5 million, RMB12.3 million and RMB11.8 million for FY2020, FY2021 and FY2022, respectively.

The following table sets forth the components of our administrative expenses for the years indicated:

	FY2020		FY2021		FY2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Labour service fees(1)	11,548	18.0	12,320	16.2	11,796	15.1
Employee benefit expenses (including directors' emoluments)(2)	25,465	39.6	30,019	39.5	22,696	29.2
Travel and transportation expenses	3,270	5.1	3,479	4.6	2,536	3.3
Amortisation and depreciation(3)	7,384	11.5	7,332	9.7	5,956	7.6
Office expenses	6,570	10.2	4,753	6.3	8,727	11.2
Other taxes and levies(4)	7,999	12.4	7,877	10.4	6,690	8.6
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Auditor's remuneration — audit services(5)	739	1.1	—	—	—	—
Other expenses(6)	1,337	2.1	1,736	2.3	1,620	2.1
Total	**64,312**	**100.0**	**75,886**	**100.0**	**77,874**	**100.0**

Notes:

(1) Labour service fees mainly represented the (i) labour fees that we incurred for our temporary employees (including part-time or fixed-term employees) and interns employed by us for our back office departments; and (ii) the service fees paid to labour service providers for the engagement of third-party marketers in relation to the administrative support to marketers. During the Track Record Period, we engaged part-time employees and interns for our back office departments to temporarily relieve our regular staff of their routine responsibilities. During the same period, we engaged third-party marketers to provide administrative support because marketers are scattered in different areas of the PRC (more than 320 cities in 31 provinces/municipalities in China as at the Latest Practicable Date) and thus, we need to arrange labour directly from the local regions to support various administrative functions of our regional branch offices, for example daily office administrative work, human resources and accounting, and also assist to monitor and supervise the attendance of marketers at offline retail stores and provide other on-site administrative supports. Such labour services are generally provided by independent local human resources service providers and third-party marketers aid the Group's on-site administrative work as a whole and their service fees are calculated with reference to number of workshifts and salary level of the local regions.

(2) Employee benefit expenses mainly represented salaries and benefits paid to management staff, directors emoluments.

(3) Amortisation and depreciation mainly represented the amortisation of our computer software and depreciation of the leasehold improvement, office equipment, motor vehicles and our Group's rights to use certain leased properties.

(4) Other taxes and levies mainly represented additional taxes such urban maintenance and construction tax, educational surtax and stamp duty.

(5) Auditor's remuneration-audit services mainly represented the remuneration paid to the auditors for rendering audit services.

(6) Other expenses mainly represented day-to-day administration fees, recruitment expenses, service charges and vehicle maintenance costs.

Selling and marketing expenses

Our selling and marketing expenses consisted of (i) employee benefit expenses; (ii) travel and transportation expenses; (iii) depreciation expenses. Our selling and marketing expenses amounted to RMB18.7 million, RMB20.8 million and RMB19.3 million, for FY2020, FY2021 and FY2022, respectively.

The following table sets forth the components of our selling and marketing expenses for the years indicated:

	FY2020		FY2021		FY2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses[1]	15,892	85.0	18,430	88.8	17,762	92.0
Travel and transportation expenses	2,735	14.6	2,269	10.9	1,498	7.8
Depreciation expenses[2]	77	0.4	70	0.3	48	0.2
Total	**18,704**	**100.0**	**20,769**	**100.0**	**19,308**	**100.0**

Notes:

(1) Employee benefit expenses mainly represented salaries and benefits paid to our business staff.

(2) Depreciation expenses mainly represented the depreciation of office equipment.

Research and development expenses

Our research and development expenses mainly represented our expenses incurred on (i) IT infrastructure building, system development (ii) system maintenance; and (iii) research and development staff. Our research and development expenses amounted to RMB11.7 million, RMB12.2 million and RMB25.0 million for FY2020, FY2021 and FY2022, respectively.

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
IT infrastructure building	1,597	1,485	2,190
System development	1,415	2,722	11,952
System maintenance	5,306	1,895	2,789
Sub-total	**8,318**	**6,102**	**16,931**
Employee benefits expenses (*note*)	3,425	6,059	8,088
Total	**11,743**	**12,161**	**25,019**

Note: Employee benefit expenses mainly represented salaries and benefits paid to our research and development staff.

Other income and gains — net

Our net other income and gains represented (i) government grants; (ii) interest income from related parties; (iii) gain on additional deduction of value-added tax; (iv) fair value gains from FVPL; (v) loss on disposal of plant and equipment; (vi) gains on termination of leases and (vii) others.

We recorded other income and gains — net of RMB8.6 million for FY2020, RMB25.2 million for FY2021 and RMB28.9 million for FY2022.

The following table sets forth a breakdown of our other income and gains — net for the years indicated:

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants(1)	3,746	22,829	26,090
Interest income from related parties(2)	2,857	—	—
Gain on additional deduction of value-added tax(3)	1,790	1,859	1,804
Total:	**8,393**	**24,688**	**27,894**
Other gains — net			
Fair value gains from FVPL	316	485	753
Loss on disposal of plant and equipment	—	(9)	(39)
Gains on termination of leases	—	—	292
Others	(76)	(12)	(4)
Total:	**240**	**464**	**1,002**

Notes:

(1) Government grants during the Track Record Period mainly represented (i) the financial support received from the Bureau of Finance of the relevant administrative areas, including Jiading District Bureau of Finance, a local authority in the PRC, to incentivise the development of our Group; and (ii) job-subsidy programme from local authorities in the PRC according to the respective local government policies (such as Job Stability Returns (穩崗返還) and Job Stability Subsidies (穩崗補貼)), the applications of which were subject to certain conditions (such as there should be no employee complaint, no report on arrears of salaries and a relatively low dismissal rate). As confirmed by the government-related entities making the application of financial support on behalf of the Company (namely Shanghai Hujia Economic Development Center (上海滬嘉經濟發展中心) and Shanghai Waigang Industrial Park Management Service Co., Ltd. (上海外岡工業園區管理服務有限公司)), there was no written underlying government policy for such financial support and the amount of financial support was calculated based on our Group's income tax payment and our business scale. There were no unfulfilled conditions or contingencies relating to the government grants. The timing, amounts and conditions of these government grants were within the sole discretion of the government and these government grants may be reviewed and assessed by the government periodically and may fluctuate from time to time pursuant to the changes in relevant government policies. A majority of government grants received was non-recurring in nature.

(2) Interest income from related parties mainly represented interest income generated from loans to Mr. Sun for share purchases.

(3) Gains on additional deduction of value-added tax mainly represented the gains on tax reduction from the reduced value-added tax rate introduced by the tax reforms.

Reversal of impairment losses/(impairment losses) on financial assets

Reversal of impairment losses/(impairment losses) on financial assets represented our net provision for impairment loss of trade receivables, contract assets and other receivables based on the expected credit loss model. For FY2021 and FY2022, we had impairment losses on financial assets of RMB463,000 and RMB553,000, respectively. For FY2020, we had reversal of impairment losses on financial assets of RMB257,000.

Finance costs — net

Our finance income represented bank interest income. For FY2020, FY2021 and FY2022, we recorded finance income of RMB61,000, RMB136,000 and RMB162,000, respectively.

Our finance costs mainly represented interest expenses (i) for trade receivables factoring; (ii) for bank borrowings; and (iii) on lease liabilities. For FY2020, FY2021 and FY2022, we recorded finance costs of RMB4.6 million, RMB4.9 million and RMB3.1 million, respectively.

The following table sets forth a breakdown of the finance income and finance costs for the years indicated:

	FY2020	FY2021	FY2022
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
— bank interest income[1]	61	136	162
	61	**136**	**162**
Finance costs			
— Interest for trade receivables factoring[2]	(2,722)	(2,142)	(715)
— Interest expenses for bank borrowings[3]	(1,131)	(2,401)	(2,093)
— Interest expenses on lease liabilities[4]	(523)	(373)	(265)
— Others	(178)	—	—
	(4,554)	**(4,916)**	**(3,073)**
Finance cost — net:	**(4,493)**	**(4,780)**	**(2,911)**

Notes:

(1) Bank interest income mainly represented interest income from our deposits placed with banks in the PRC.

(2) Interest for trade receivables factoring mainly represented the interest expenses accrued from our factoring arrangements entered into with the banks. Please see "Financial information — Discussion Of Certain Items From The Consolidated Statements of Financial Position — Trade receivables" for details.

(3) Interest expenses for bank borrowings mainly represented the interest expenses accrued from our bank borrowings.

(4) Interests expenses on lease liabilities mainly represented the interest expenses accrued from our lease liabilities.

During the Track Record Period, our Group entered into factoring arrangements with reputable international financial institutions with global presence for some of our trade receivables. For FY2020, FY2021 and FY2022, we received proceeds of RMB697.0 million, RMB688.8 million and RMB161.0 million from factoring banks. The factored trade receivables were on a non-recourse basis, and such factored trade receivables have been derecognised in accordance with HKFRS9 and upon the factoring on the basis that our Group transferred substantially all the risks and rewards of ownership of trade receivables to the financial institutions.

Our policy of trade receivables factoring facilities

Our non-recourse trade receivables factoring represented a cash management tool which provides us with greater flexibility and manoeuvrability in maintaining our cash flows at a healthy level and allows us to recover liquidity in a more expeditious manner. To control and monitor the potential risks in relation to non-recourse trade receivables factoring and to assess and determine the extent of trade receivables factoring that could be obtained or utilised, we have implemented the following measures:

1. Having considered finance cost arising from trade receivables factoring and our working capital requirements, our finance manager may apply for trade receivables factoring via relevant system of the factoring banks. The amount of the trade receivables factoring being applied for would be based on our working capital requirements. Our finance manager should select the factoring bank with available facility which offers trade receivables factoring at the lowest finance cost and trade receivables that will be due first should be factored first.

2. Trade receivables factoring is subject to cascading approval system. After selecting a factoring bank, our finance manager should submit an application for trade receivables factoring to our financial controller for approval, and the application will then be further submitted to our vice president for approval.

3. Upon factoring on non-recourse basis, our settlement staff should prepare a breakdown of trade receivables factoring including invoice amount, factoring interest rate and handling fees, etc. and then submit the breakdown to our accounting staff. Our accounting staff will then derecognized the relevant trade receivables.

Share of (losses)/profit of associates

Our share of (losses)/profit of associates mainly represented shares of profit or losses from our equity investment in our associates by equity method. For FY2021, we recorded profit of associates of RMB111,000 whereas for FY2020 and FY2022, we recorded losses of associates of RMB169,000 and RMB200,000, respectively.

Income tax expenses

Our income tax expenses represent current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expenses for the years indicated:

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax(1)	20,112	21,812	22,476
Deferred income tax(2)	(574)	631	1,420
Income tax expenses	**19,538**	**22,443**	**23,896**

Notes:

(1) Current income tax comprised PRC corporate income tax for the entities comprising our Group based on taxable profit for the year.

(2) Deferred income tax comprised mainly movement in deferred income tax assets on recognised deductible temporary differences primarily arising from tax losses, bad debts, and lease liabilities and deducted by deferred income tax liabilities.

Taxation

Cayman Islands and BVI

Our Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, members of our Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax.

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profits in Hong Kong during the Track Record Period.

PRC

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. Accordingly, during the Track Record Period, our income tax expenses and credits were related to our operations in China. Certain of our subsidiaries in the PRC were qualified as "Small Low-Profit Enterprise" since 2019, these subsidiaries were entitled to a preferential income tax rate that was calculated in accordance with the two-tiered profits tax rates regime. From 1 January 2019 to 31 December 2020, under the two-tiered profits tax rates regime, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. From 1 January 2021 to 31 December 2022, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 2.5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. Thus, these subsidiaries were subject to a preferential income tax rate of 5% or 10% in 2020 and 2.5%, or 10% in 2021 and 2022. Save for our subsidiaries qualified as small and micro enterprises, all of our other subsidiaries in China were subject to PRC corporate income tax at a standard rate of 25% for the year on their respective taxable income. For each year of the Track Record Period, our effective income tax rate was 26.6%, 27.6% and 31.2%, respectively.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. The applicable withholding tax rates of the group company in Hong Kong is 10% after the completion of the Reorganisation.

As at the Latest Practicable Date, we had made all material tax filings and paid all material outstanding tax liabilities to the relevant tax authorities, and we are not aware of any outstanding or potential dispute with such tax authorities.

See "— Period to period comparison of results of operations" for discussion of the changes in our income tax expenses.

Profit for the year and net profit margin

For each year of the Track Record Period, we recorded profit of RMB53.9 million, RMB59.0 million and RMB52.7 million, respectively. For each year of the Track Record Period, our net profit margin was 13.0%, 14.2% and 8.5%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2022 compared to FY2021

Revenue

Our revenue increased from RMB416.3 million for FY2021 to RMB618.1 million for FY2022. The increase of revenue was primarily attributable to the increase in our revenue from customised marketing solution.

Revenue by service types

Our revenue from customised marketing solution increased from RMB272.7 million for FY2021 to RMB459.6 million for FY2022, whereas revenue from tasks and marketers matching service increased from RMB59.2 million for FY2021 to RMB82.1 million for FY2022. The increase was mainly attributable to the increase in the number of brand owner customers who engaged us for tasks and marketers matching service from 14 for FY2021 to 20 for FY2022. Our revenue from marketers assignment service decreased from RMB69.4 million for FY2021 to RMB48.7 million for FY2022. This was mainly due to (i) the increase in the average revenue per brand owner customer for customised marketing solution from RMB6.8 million for FY2021 to RMB15.7 million for FY2022 as some of our existing brand owner customers expanded their spendings on customised marketing solution; (ii) revenue contributed by new customers for customised marketing solution procured by us in late 2021; and (iii) the fact that some of our marketers assignment service customers switched to our customised marketing solution, which was in line with our strategies to put more focus on customised marketing solution 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. Our revenue from SaaS+ subscription increased significantly from RMB14.9 million for FY2021 to RMB27.7 million for FY2022. The increase was mainly attributable to (i) the increase in the number of brand owner customers who engaged us for SaaS+ subscription from 4 for FY2021 to 6 for FY2022 and (ii) the increase in average revenue per brand owner customer for SaaS+ subscription from RMB3.3 million for FY2021 to RMB4.3 million for FY2022 which was particularly attributable to a contract in relation to the development of certain digitalised platform and tools awarded in 2022 by one of top five customers of SaaS + subscription during the Track Record Period with a contract amount of RMB13.5 million.

Cost of services

Our cost of services increased from RMB246.0 million for FY2021 to RMB444.5 million for FY2022. The increase in cost of services was mainly attributable to:

(i) the increase in employee benefit expenses of RMB239.4 million, mainly because some of our marketers assignment service customers switched to our customised marketing solution and thus, the employee benefit expenses in relation to the employee marketers were recorded in full in our cost of services for customised marketing solution (instead of recognised on a net basis under marketers assignment service); and

(ii) the increase in research, development and technical service expenses of RMB4.1 million, mainly due to the increase in the SaaS+ subscription services provided to our customers,

the effect of which was partially offset by the decrease in labour service fees of RMB28.0 million as we began to assign employee marketers in the provision of customised marketing solution, which led to the decrease in our labour service fees associated with customised marketing solution by RMB46.7 million as we assigned less third party labour in the implementation of our customised marketing solution projects.

On the other hand, as we mainly relied on third party labour in provision of our tasks and marketers matching service, our labour service fees associated with our tasks and marketers matching service increased by RMB19.2 million, which was generally in line with the increase in our revenue from tasks and marketers matching service.

Gross profit and gross profit margin

Our gross profit increased from RMB170.2 million for FY2021 to RMB173.6 million for FY2022, which was in line with the increase in revenue, while our gross profit margin decreased from 40.9% for FY2021 to 28.1% for FY2022, which was mainly attributable to the decrease in gross profit margin for customised marketing solution and tasks and marketers matching service.

Gross profit and gross profit margin by service types

Our gross profit from customised marketing solution increased from RMB82.0 million for FY2021 to RMB91.0 million for FY2022, while gross profit margin of customised marketing solution decreased from 30.1% for FY2021 to 19.8% for FY2022. The decrease in gross profit margin of customised marketing solution was mainly because some of our marketers assignment service customers switched to our customised marketing solution and to cater changes in their sales and marketing strategies in response to the prevailing changes in their industry, and thus, the revenue and employee benefit expenses in relation to the employee marketers that have been working for these customers were recorded in full gross amount under customised marketing solution (instead of being recognised on a net basis under marketers assignment service), since these projects have lower gross profit margin as compared to other customised marketing solution which in turn resulted in a lower gross profit margin of customised marketing solution. Our gross profit from marketers assignment service decreased from RMB61.6 million for FY2021 to RMB43.7 million for FY2022, while gross profit margin of marketers assignment service remained relatively stable at 88.8% and 89.8% for FY2021 and FY2022, respectively.

Our gross profit from tasks and marketers matching service increased from RMB16.8 million for FY2021 to RMB20.4 million for FY2022, while our gross profit from SaaS+ subscription increased significantly from RMB9.8 million for FY2021 to RMB18.5 million for FY2022. The increase in our gross profit from tasks and marketers matching service and SaaS+ subscription was generally in line with the increase in revenue. Our gross profit margin of tasks and marketers matching service decreased from 28.3% for FY2021 to 24.8% for FY2022, as average cost on the marketers' attendance and the amount of sales achieved per manshift of third-party marketers for tasks and marketers matching service increased at a higher rate than average revenue from tasks and marketers matching service per manshift of third-party marketers, which was mainly because (i) with a view to ensuring the quality of our services and maintain a stable marketer base, we adjusted the calculation basis of the remuneration of the marketers and did not substantially reduce our cost of services. The remuneration of the marketers is service fee based. Other than this current remuneration basis, we further introduced a diversified incentives structure, (i) where the marketers would be eligible for higher commission rates if certain sales target are achieved; and (ii) progressive piece-rate sales commission to incentivise the marketers to increase sales; and (ii) as affected by overall economic downturn, sales performance of offline retail stores involved under our tasks and marketers matching service was affected, which in turn reduced our revenue from tasks and marketers matching service that adopts a "performance-based" fee model. For details, see "Financial Information — Principal components of consolidated statements of comprehensive income — Cost of services — Labour service fees". Our gross profit margin of SaaS+ subscription remained relatively stable at 65.8% and 66.7% for FY2021 and FY2022, respectively.

Administrative expenses

Our administrative expenses increased from RMB75.9 million for FY2021 to RMB77.9 million for FY2022. The increase was primarily due to the [REDACTED] of [REDACTED] million incurred for FY2022.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable at RMB20.8 million for FY2021 and RMB19.3 million for FY2022.

Research and development expenses

Our research and development expenses increased from RMB12.2 million for FY2021 to RMB25.0 million for FY2022. The increase was primarily attributable to the expenses incurred in relation to the use of external third party database which is maintained by a PRC AI company, and which allows us to get access to the data, including various retail stores operating data and analysis results of their sales potential to support our construction of certain digitalised tools and the expenses incurred for the system development of Brandkey by the external software developer.

Other income and gains — net

Our other income and gains — net increased from RMB25.2 million for FY2021 to RMB28.9 million for FY2022, primarily due to the increase in government grants of RMB22.8 million for FY2021 to RMB26.1 million for FY2022 as a result of the increased financial support granted by the PRC government. There is no significant change in the nature of government grants we received for the year, of which approximately 90% or above of the amount represents the financial support received to incentivise the development of our Group in the Shanghai regions for both years. The increase in government grants during the year was mainly attributable to an increase in the financial support in relation to a job-subsidy programme received from local authorities in the PRC, for example Job Stability Subsidies (穩崗補貼) and Employee Retention Subsidies (留崗補貼). The timing, amounts and conditions of these government grants were within the sole discretion of the government and may fluctuate from time to time pursuant to the changes in relevant government policies.

Impairment losses on financial assets

Our impairment losses on financial assets remained relatively stable at RMB463,000 and RMB553,000 for FY2021 and FY2022, respectively. See "Financial Information — Financial Risks Management — Credit Risk" and Note 3.1(b)(iii) to the Accountant's Report in Appendix I to this document for further details.

Finance costs — net

Our finance costs — net decreased from RMB4.8 million for FY2021 to RMB2.9 million for FY2022, primarily as a result of the decrease in interest expenses for bank borrowings and trade receivables factorings due to decrease in interest rates of bank borrowings and decrease in use of trade receivables factoring facilities.

Share of profit/(losses) of associates

We had share of profit of associates of RMB111,000 for FY2021 and share of losses of associates of RMB200,000 for FY2022.The increase in share of losses of associates was primarily due to the losses incurred by one of our associates as a result of its increased research and development expenses.

Income tax expenses

Our income tax expense remained relatively stable at RMB22.4 million and RMB23.9 million for FY2021 and FY2022, respectively. Our effective tax rates, which represented our income tax expenses over our profit before income tax, were 27.6% for FY2021 and 31.2% for FY2022. Our higher effective tax rate for FY2022 was mainly because our [REDACTED] associated with non-PRC parties were not deductible for tax purpose.

Profit and net profit margin for the year

As a result of the foregoing, our profit for the year decreased from RMB59.0 million for FY2021 to RMB52.7 million for FY2022. Our net profit margin decreased from 14.2% for FY2021 to 8.5% for FY2022, primarily as the result of the elevated effective tax rate.

FY2021 compared to FY2020

Revenue

Our revenue increased from RMB413.6 million for FY2020 to RMB416.3 million for FY2021. The increase was primarily attributable to the significant increase in revenue from tasks and marketers matching service and SaaS+ subscription, which is partially offset by the decrease in revenue from customised marketing solution and marketers assignment service.

Revenue by service types

Our revenue from customised marketing solution decreased from RMB305.9 million for FY2020 to RMB272.7 million for FY2021. The decrease was primarily attributable to the decrease in spending of some of our brand owner customers of customised marketing solution in FY2021. Revenue from our marketers assignment service decreased from RMB73.6 million for FY2020 to RMB69.4 million for FY2021. The decrease was primarily because of the negative impact of the COVID-19 pandemic causing a slowdown in our customers' sales, which led to a decrease in the number of customers who engaged us for marketers assignment service. The number of customers for marketers assignment service decreased from 22 for FY2020 to 14 for FY2021.

In line with our Group's business strategy to promote our tasks and marketers matching service and SaaS+ subscription, our revenue from tasks and marketers matching service increased from RMB32.1 million for FY2020 to RMB59.2 million for FY2021 and our revenue from SaaS+ subscription increased significantly from RMB2.0 million for FY2020 to RMB14.9 million for FY2021. The growth in revenue from tasks and marketers matching service was supported by the increase in the number of tasks and marketers matching service customers from 15 for FY2020 to 19 for FY2021 and the increase in average revenue per tasks and marketers matching service customer from RMB2.1 million for FY2020 to RMB3.1 million for FY2021. Similarly, the increase in revenue from SaaS+ subscription was mainly attributable to the increase in number of SaaS+ subscription customers from 3 for FY2020 to 8 for FY2021 and increase in average revenue per SaaS+ subscription customer from RMB0.7 million for FY2020 to RMB1.9 million for FY2021.

Cost of services

Our cost of services remained relatively stable at RMB249.6 million and RMB246.0 million for FY2020 and FY2021, respectively.

Our labour service fees decreased from RMB197.8 million for FY2020 to RMB182.3 million for FY2021. The decrease in labour service fees was mainly attributable to the scale-down of our customised marketing solution projects with one of our top five customers during the Track Record Period resulting in the decrease in our demand for third-party marketers provided by labour service providers, which led to a decrease in our cost of services associated with customised marketing solution by RMB35.0 million, which was in line with the decrease in our revenue from customised marketing solution. Such decrease was partially offset by the increase in labour service fees associated with tasks and marketers matching service projects by RMB20.1 million which was in line with our growth of business in tasks and marketers matching service as we mainly engaged third-party marketers for the implementation of our tasks and marketers matching service projects.

Employee benefit expenses increased from RMB7.7 million for FY2020 to RMB9.4 million for FY2021 which was mainly attributable to the increase in such expenses associated with marketers assignment service by RMB1.1 million as additional group staff were recruited to meet the increased demand for our marketers assignment service for FY2021. In addition, the Social Insurance Contribution Reduction Policy was not renewed in 2021 resulting in the increase in social insurance contribution for all staff, which in turn had led to an increase in employee benefit expenses.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased from RMB164.0 million for FY2020 to RMB170.2 million for FY2021. Our gross profit margin slightly increased from 39.6% for FY2020 to 40.9% for FY2021. The increase in gross profit margin was primarily due to (i) the increase in the gross profit margin of SaaS+ subscription from 28.1% for FY2020 to 65.8% for FY2021 and (ii) the increase in the gross profit margin of customised marketing solution from 28.6% for FY2020 to 30.1% for FY2021.

Gross profit and gross profit margin by service types

Our gross profit from customised marketing solution decreased from RMB87.5 million for FY2020 to RMB82.0 million for FY2021, while our gross profit from marketers assignment service decreased from RMB65.6 million for FY2020 to RMB61.6 million for FY2021. The decrease of gross profit of customised marketing solution and marketers assignment service was generally in line with the decrease of revenue from customised marketing solution and marketers assignment service. Our gross profit margin of customised marketing solution increased slightly from 28.6% for FY2020 to 30.1% for FY2021. The increase in gross profit margin was mainly due to the increase in project scale of relatively higher profit margin projects with some brand owners. Our gross profit margin of marketers assignment service remained relatively stable at 89.1% for FY2020 and 88.8% for FY2021.

Our gross profit from tasks and marketers matching service increased from RMB10.4 million for FY2020 to RMB16.8 million for FY2021, while our gross profit from SaaS+ subscription increased from RMB555,000 for FY2020 to RMB9.8 million for FY2021. The increase in gross profit of tasks and marketers matching service and SaaS+ subscription was generally in line with the increase in revenue from tasks and marketers matching service and SaaS+ subscription. Our gross profit margin of tasks and marketers matching service decreased from 32.2% for FY2020 to 28.3% for FY2021. The decrease in gross profit margin of tasks and marketers matching service was mainly attributable to the increase in labour service fee due to increase in number of manshift performed by third-party marketers to enhance the level of project execution and to meet the demands associated with the business expansion and the increase in average cost per manshift of third-party marketers for tasks and marketers matching service. The average cost per manshift of third-party marketers for tasks and marketers matching service increased at a higher rate than average revenue from tasks and marketers matching service per manshift of third-party marketers. For details, see "Financial Information — Principal components of consolidated statements of comprehensive income — Cost of services — Labour service fees". Our gross profit margin of SaaS+ subscription increased significantly from 28.1% for FY2020 to 65.8% for FY2021. The increase was mainly due to the decrease in the percentage of research, development and technical service expenses to the revenue from SaaS+ subscription from 65.1% for FY2020 to 31.7% for FY2021 as we only had to make modifications to our software developed in 2020 to fit our customers' specification requirements instead of having it developed from scratch when we bring on new customers.

Administrative expenses

Our administrative expenses increased from RMB64.3 million for FY2020 to RMB75.9 million for FY2021. The increase was primarily attributable to the increase in employee benefit expenses from RMB25.5 million for FY2020 to RMB30.0 million for FY2021 due to (i) the increase in average salaries of our management staff; and (ii) the fact that the Social Insurance Contribution Reduction Policy was not renewed for 2021; and (iii) and [REDACTED] of [REDACTED] million for FY2021.

Selling and marketing expenses

Our selling and marketing expenses increased from RMB18.7 million for FY2020 to RMB20.8 million for FY2021. The increase was primarily attributable to (i) the increase in employee benefit expenses for our business staff from RMB15.9 million for FY2020 to RMB18.4 million for FY2021 due to the increase in average salaries of our business staff; and (ii) the fact that the Social Insurance Contribution Reduction Policy introduced in 2020 was not renewed for 2021.

Research and development expenses

Our research and development expenses remained relatively stable at RMB11.7 million and RMB12.2 million for FY2020 and FY2021, respectively.

Other income and gains — net

Our other income and gains — net increased from RMB8.6 million for FY2020 to RMB25.2 million for FY2021. The increase was mainly attributable to the significant increase in government grants from RMB3.7 million for FY2020 to RMB22.8 million for FY2021, most of which were financial support from the PRC government. The government grants for FY2021 include mainly financial support received to incentivise the development of our Group in the Shanghai regions while the amount for FY2020 mainly related to job-subsidy programme. The increase in government grants was mainly attributable to a significant increase in the amount of financial support received to incentivise the development of our Group in the Shanghai regions from RMB0.7 million for FY2020 to RMB22.5 million for FY2021. The timing, amounts and conditions of these government grants were within the sole discretion of the government and may fluctuate from time to time pursuant to the changes in relevant government policies.

Reversal of impairment losses/(impairment losses) on financial assets

We had reversal of impairment loss on financial assets of RMB257,000 for FY2020 and impairment losses on financial assets of RMB463,000 for FY2021. The change was primarily due to the increased expected credit loss allowance for trade receivables. See "Financial Information — Financial Risks Management — Credit Risk" and Note 3.1(b)(iii) to the Accountant's Report in Appendix I to this document for further details.

Finance costs — net

Our net finance costs remained relatively stable at RMB4.5 million and RMB4.8 million for FY2020 and FY2021, respectively.

Share of (losses)/profit of associates

We had share of losses of associates of RMB169,000 for FY2020 and profit of associates of RMB111,000 for FY2021. The change was primarily due to one of our associates recorded profit of RMB0.6 million for FY2021, as compared with loss of RMB1.4 million for FY2020.

Income tax expenses

Our income tax expenses increased from RMB19.5 million for FY2020 to RMB22.4 million for FY2021. The increase of income tax expenses was generally in line with the increase in profit before tax from RMB73.4 million for FY2020 to RMB81.5 million for FY2021.

Profit and net profit margin for the year

For the reasons above, our profit for the year increased from RMB53.9 million for FY2020 to RMB59.0 million for FY2021. Our net profit margin increased from 13.0% for FY2020 to 14.2% for FY2021.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as at the dates indicated, which have been extracted from our consolidated statements of financial position as at the dates indicated, which have been extracted from our audited consolidated financial statements included the Accountant's Report as set out in Appendix I to this document.

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	575,355	616,272	618,482
Current liabilities	323,352	303,546	280,577
Net current assets	**252,003**	**312,726**	**337,905**
Non-current assets	19,004	14,438	8,644
Non-current liabilities	3,570	2,133	55
Total assets	594,359	630,710	627,126
Total liabilities	326,922	305,679	280,632
Net assets	**267,437**	**325,031**	**346,494**
Non-controlling interests	1,523	—	—

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 28 February
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Contract assets	215,734	183,256	190,624	233,872
Trade receivables	323,352	393,041	344,902	303,560
Contract costs	2,392	712	480	731
Deposits, other receivables and prepayments	15,587	14,946	19,772	22,749
Financial assets at fair value through profit or loss	9,180	4,000	—	—
Cash and cash equivalents	9,110	20,317	62,704	45,848
	575,355	616,272	618,482	606,760
Current liabilities				
Lease liabilities	5,056	3,778	2,319	1,811
Borrowings	31,000	54,800	61,273	56,273
Trade and other payables	261,279	234,196	203,032	186,300
Contract liabilities	3,624	3,297	6,858	6,279
Income tax payables	22,376	7,475	5,648	6,369
Amounts due to related parties	17	—	1,447	1,506
	323,352	303,546	280,577	258,538
Net current assets	**252,003**	**312,726**	**337,905**	**348,222**

Our net current assets increased from RMB252.0 million as at 31 December 2020 to RMB312.7 million as at 31 December 2021 primarily due to the increase in trade receivables as the result of increase in revenue for the fourth quarter in 2021 as compared with the same period in 2020 and the decrease in the use of trade receivables factoring facilities, the effect of which was partially offset by the (i) increase in our borrowings; and (ii) decrease in our contract assets.

Our net current assets increased from RMB312.7 million as at 31 December 2021 to RMB337.9 million as at 31 December 2022 primarily due to the increase in (i) cash and cash equivalents, (ii) deposits, other receivables and prepayments and (iii) contract assets, the effects of which were partially offset by the decrease in trade receivables and financial assets at fair value through profit or loss.

Our net current assets increased from RMB337.9 million as at 31 December 2022 to RMB348.2 million as at 28 February 2023 primarily due to (i) the increase in deposits, other receivables and prepayments and contract assets and (ii) the decrease in lease liabilities, borrowings and trade and other payables, the effects of which were partially offset by (i) the decrease in trade receivables and (ii) the increase in income tax payables.

Plant and equipment

During the Track Record Period, our plant and equipment primarily consisted of leasehold improvement, office equipment and motor vehicles.

The net book amount of our plant and equipment increased from RMB865,000 as at 31 December 2020 to RMB1.1 million as at 31 December 2021. This was primarily due to the increase in office equipment and motor vehicles of RMB620,000, the effect of which was partially offset by the depreciation charge of RMB403,000 and disposal of office equipment of RMB18,000 for FY2021.

The net book amount of our plant and equipment decreased from RMB1.1 million as at 31 December 2021 to RMB984,000 as at 31 December 2022. This was primarily due to disposal of office equipment of RMB43,000 and depreciation charge of RMB429,000, the effect of which was partially offset by the additions of office equipment of RMB392,000 for FY2022.

Right-of-use assets

During the Track Record Period, our right-of-use assets primarily represented our leased premises with a cumulative lease term of above 12 months.

Our right-of-use assets decreased from RMB8.2 million as at 31 December 2020 to RMB5.6 million as at 31 December 2021, which was primarily due to depreciation charge of RMB5.3 million, the effect of which was partially offset by additions of right-of-use assets of RMB2.8 million as a result of entering into new leases.

Our right-of-use assets further decreased to RMB2.5 million as at 31 December 2022, which was primarily due to depreciation charge of RMB4.6 million, the effect of which was partially offset by additions of right-of-use assets of RMB3.1 million.

Intangible assets

During the Track Record Period, our intangible assets primarily consisted of software purchased from third parties.

Our intangible assets decreased from RMB2.7 million as at 31 December 2020 to RMB991,000 as at 31 December 2021 and further decreased to nil as at 31 December 2022, primarily due to the amortisation of our computer software.

Investments in associates

During the Track Record Period, our investments in associates primarily represented our investments in our associates, including Beijing Aikaka Information Technology Co., Ltd. (北京愛咔咔信息技術有限公司), which primarily engages in technical development and consultancy services and Guangzhou Cema, which primarily engages in market research services, information technology consultancy and software development.

Our investments in associates remained relatively stable at RMB4.6 million, RMB4.7 million and RMB4.5 million as at 31 December 2020, 2021 and 2022, respectively.

Deferred income tax assets

During the Track Record Period, our deferred income tax assets primary represented the difference between book tax and the actual income tax.

Our deferred income tax assets decreased from RMB2.7 million as at 31 December 2020 to RMB2.1 million as at 31 December 2021. This is primarily due to the decrease in the recognition of cumulative tax losses.

Our deferred income tax assets decreased from RMB2.1 million as at 31 December 2021 to RMB0.7 million as at 31 December 2022. This is primarily due to the decrease in the recognition of cumulative tax losses.

Contract assets

Our contract assets mainly represented our unbilled amount of services provided to our customers.

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets — gross carrying amount	216,781	184,088	192,191
Less: allowance for impairment of contract assets	(1,047)	(832)	(1,567)
Contract assets — net	215,734	183,256	190,624

As at 28 February 2023, RMB90.5 million, or 47.1% of the contract assets as at 31 December 2022 was subsequently billed by our Group and accounted as trade receivables.

As at 31 December 2020, 2021 and 2022, contract assets amounted to RMB215.7 million, RMB183.3 million, and RMB190.6 million respectively. As at 31 December 2020, 2021 and 2022, the contract assets of our top five customers amounted to RMB143.6 million, RMB118.5 million and RMB128.0 million, respectively, which accounted for 66.2%, 64.4% and 66.6% of the contract assets before loss allowance as at 31 December 2020, 2021 and 2022. The decrease of contract assets from FY2020 to FY2021 was generally in line with the decrease in revenue generated from customised marketing solution. Our contract assets then increased to RMB190.6 million as at 31 December 2022, the increase was generally in line with our revenue growth. As at 31 December 2020, 2021 and 2022, the contract assets of our Group, before allowance for impairment of contract assets, amounted to RMB216.8 million, RMB184.1 million and RMB192.2 million, respectively.

The following table sets forth a breakdown of our contract assets by types of services as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Customised marketing solution	96,541	62,059	123,054
Tasks and marketers matching service	6,837	4,396	14,451
Marketers assignment service	112,009	112,137	52,439
SaaS+ subscription	1,394	5,496	2,247
Total:	216,781	184,088	192,191

As at 31 December 2020, 2021 and 2022, the contract assets are mainly arisen from customised marketing solution and marketers assignment service, which in aggregate accounted for 96.2%, 94.6% and 91.3% of the total gross contract assets balance, respectively. For our customised marketing solution, it generally takes not more than three months to settle and bill our customers after completion of projects. For our marketers assignment service, the time lag between revenue recognition and billing is normally within two months' time as the billing process requires our customers to gather and provide relevant settlement information, such as sales data and performance of the labours assigned.

The contract assets balance related to customised marketing solution accounted for 44.5%, 33.7% and 64.0% of the total gross balances as at the corresponding period-end date, respectively, which is mainly due to a longer time lag between revenue recognition and the billings are generally longer than that of other type of services. The balance increased from RMB62.1 million as at 31 December 2021 to RMB123.1 million as at 31 December 2022, which was mainly due to the increase of customised marketing solution revenue as certain customers of marketers assignment service opted for our customised marketing solution during FY2022 that they required more customised sales and marketing services.

The contract assets balance related to tasks and marketers matching service accounted for 3.2%, 2.4% and 7.5% of the total gross balances as at the corresponding period-end date, respectively, while contract assets balance related to SaaS+ subscription accounted for 0.6%, 3.0% and 1.2% of the total gross balances as at the corresponding period-end date, respectively. For tasks and marketers matching service and SaaS+ subscription, we generally settle monthly with our customers after our services rendered to our customers.

The contract assets balances of tasks and marketers matching service decreased from RMB6.8 million as at 31 December 2020 to RMB4.4 million as at 31 December 2021, which was mainly due to relatively more projects were billed before the year end date. The balance further increased to RMB14.5 million, which was mainly due to the increase in revenue for the last quarter for FY2022 as compared to the revenue for the last quarter of FY2021.

The contract asset balances related to marketers assignment service accounted for 51.7%, 60.9% and 27.3% of the total gross balances at corresponding period-end date, respectively. The large proportion of the total contract asset balances as at 31 December 2020 and 2021 is mainly due to the larger gross transaction amounts as compared to other services. The proportion to total contract asset balances decreased from 60.9% as at 31 December 2021 to 27.3% as at 31 December 2022 was mainly due to three customers being switched to use of a customised marketing solution during the year. The changes in the balances from it was generally in line with the fluctuations of gross transaction amounts from marketers assignment service during the Track Record Period.

The contract assets balances of SaaS+ subscription amounted to RMB1.4 million, RMB5.5 million and RMB2.2 million as at 31 December 2020, 2021 and 2022, respectively. The increase was generally in line with the increasing trend of the revenue from SaaS+ subscription during the Track Record Period.

The following table sets forth ageing analysis of our contract assets, based on the project completion date before allowance for lifetime ECL as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
1–60 days	187,249	161,761	149,864
61–120 days	24,473	20,424	38,082
121–180 days	4,791	1,289	3,991
Over 180 days	268	614	254
Total	216,781	184,088	192,191

As at 31 December 2020, our contract assets over 120 days were mainly comprised of contract assets associated with customised marketing solution, in particular, attributable to customised marketing solution projects with Customer B, Customer C, Customer E and Customer F, the long bill processing time was primarily caused by the convoluted internal verification process of our customers. As a result of our Group's continuous effort in negotiating with our customers under a more expedient verification process, our contract assets aged between 121 days and 180 days were reduced to RMB1.3 million as at 31 December 2021 from RMB4.8 million as at 31 December 2020. As at 31 December 2021, most of our customers were able to settle with us for our contract assets within 120 days or less with the exception of Customer C, Customer E and some other customers.

As at 31 December 2022, our contract assets aged over 120 days were mainly comprised of contract assets associated with Customer B, which accounted for 88.4% of our contract assets aged over 120 days. Customer B was one of our Group's top five customers during the Track Record Period, which it usually took relatively longer time for the settlement process, given our long-standing business relationship and its good credit history, our Group considered that the credit risks involved with Customer B was low and was therefore willing to allow it a relatively longer billing processing time. As at 28 February 2023, RMB2.9 million, or 68.3% of the contract assets aged over 120 days as at 31 December 2022 was subsequently billed by our Group and accounted as trade receivables.

As at 28 February 2023, none of the contract assets aged over 180 days as at 31 December 2022 was subsequently billed by our Group and accounted as trade receivables and the remaining balance are still in the process of settlement. Our Directors are of view that the credit risk exposed on the Group's long outstanding contract assets are low as these contract assets are typically associated with our top five customers with high credit rating and good payment history with our Group.

The following table sets forth the average billing processing day after the relevant revenue has been recognised for the year indicated:

	FY2020	FY2021	FY2022
Average billing processing days *(Note)*	57	49	60

Note: Average billing processing days was calculated based on average balance of contract assets divided by the billing amount after value-added tax for the relevant year and multiplied by 365 days for FY2020, FY2021 and FY2022.

The following table sets forth a breakdown of our contract assets by charging basis as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Floating fee	19,075	20,880	15,424
Fixed fee	197,706	163,208	176,767
Total (Gross carrying amount)	**216,781**	**184,088**	**192,191**

As at 31 December 2020, 2021 and 2022, the contract assets in relation to the floating fee portion aged within 60 days amounted to RMB18.2 million, RMB20.2 million and RMB14.6 million, representing 95.5%, 96.6% and 94.8% of the corresponding total balances of the floating fee portion, respectively.

As at 28 February 2023, RMB12.3 million, representing 79.9% of our contract assets associated with floating fees income as at 31 December 2022 was subsequently billed by our Group and accounted as trade receivables.

For the contract assets as at the end of each reporting period of the Track Record Period, there were no material disputes received from our Group's customers.

As at 28 February 2023, RMB78.2 million, representing 44.2% of our contract assets associated with fixed fee income as at 31 December 2022 was subsequently billed by our Group and accounted as trade receivables.

Our Group's actual bad debt rates of contract assets as at 31 December 2020, 2021 and 2022 were 0.5%, 0.5% and 0.8%, respectively. The actual bad debt rates were calculated based on allowance for impairment of contract assets at year end divided by the gross carrying amount of contract assets multiplied by 100%.

Trade receivables

During the Track Record Period, our trade receivables mainly represented receivables due from our customers for our services performed in the ordinary course of business. Our trade receivables were RMB323.4 million, RMB393.0 million and RMB344.9 million as at 31 December 2020, 2021 and 2022, respectively.

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	326,260	396,647	346,088
Less: allowance for impairment of trade receivables	(2,908)	(3,606)	(1,186)
Trade receivables — net	**323,352**	**393,041**	**344,902**

Our trade receivables increased from RMB323.4 million as at 31 December 2020 to RMB393.0 million as at the same date in 2021 primarily in line with the increase in revenue for the fourth quarter in 2021 as compared with the same period in 2020 and the decrease in trade receivables factoring facilities.

Our trade receivables decreased from RMB393.0 million as at 31 December 2021 to RMB344.9 million as at 31 December 2022 primarily because we entered into an agreement with one of our major customers during the Track Record Period, pursuant to which such customer agreed on a shorter settlement period with us.

The following table sets forth an ageing analysis of our trade receivables on the transaction date and net of provisions, as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
1–60 days	218,202	236,000	172,636
61–120 days	87,376	101,344	135,145
121–180 days	16,087	45,801	31,732
Over 180 days	4,595	13,502	6,575
Total	**326,260**	**396,647**	**346,088**

The following table sets forth the loss allowance provision for the trade receivables as at the dates indicated:

	Trade receivables
	RMB'000
As at 1 January 2020	3,375
Reversal of loss allowance recognised in profit or loss during the year	(467)
As at 31 December 2020	2,908

	Trade receivables
	RMB'000
As at 1 January 2021	2,908
Increase in loss allowance recognised in profit or loss during the year	698
As at 31 December 2021	3,606
As at 1 January 2022	3,606
Reversal of loss allowance recognised in profit or loss during the year	(217)
Written off of bad debt	(2,203)
As at 31 December 2022	1,186

The following table sets forth our average trade receivables turnover days for the years indicated:

	FY2020	FY2021	FY2022
Trade receivables turnover days *(Note)*	71	87	102

Note: Trade receivables turnover days were calculated based on the average balance of trade receivables divided by the sum of gross billing amounts after value-added tax for the relevant year and multiplied by 365 days for FY2020, FY2021 and FY2022.

Our trade receivables turnover days increased from 71 days for FY2020 to 87 days for FY2021, mainly because when we renewed our framework agreement with Customer E in June 2020, we extended our credit period granted to Customer E from 126 days to 186 days. Considering the importance of our business relationship with the customers as well as past settlement history of our customers, we may generally allow our customers with a longer settlement period at our customers' request.

Our trade receivables turnover days further increased from 87 days for FY2021 to 102 days for FY2022, primarily due to the relatively slower settlement by certain of our customers.

As at 28 February 2023, RMB186.3 million or 53.8% of the outstanding balance of our trade receivables as at 31 December 2022 had been settled.

The following table sets forth our average trade receivables and contract assets turnover days for the years indicated:

	FY2020	FY2021	FY2022
Trade receivables and contract assets turnover days *(Note)*	134	139	153

Note: Trade receivables and contract assets turnover days were calculated based on the average balance of trade receivables and contract assets divided by the sum of gross transaction amounts from marketers assignment service and revenue from customised marketing solution, tasks and marketers matching service and SaaS+ subscription for the relevant year and multiplied by 365 days for FY2020, FY2021 and FY2022.

Our trade receivables and contract assets turnover days increased from 134 days for FY2020 to 139 days for FY2021, primarily because (i) we allowed a longer credit period to brand owner customers with a view to developing long term business relationships with them; and (ii) decrease in trade receivables factoring facilities. Our trade receivables and contract assets turnover days increased from 139 days for FY2021 to 153 days for FY2022 primarily attributable to the further decrease in trade receivables factoring facilities as we reduced our utilisation of trade receivables factoring facilities to save finance costs. Please see "Financial Information — Principal Components of Consolidated Statements of Comprehensive Income — Finance Costs — Net" for further details on trade receivables factoring facilities.

During the Track Record Period, we typically granted our customers a credit term of 30 to 180 days. Our Directors may determine and allow a longer credit period, after taking into account our past business relationships with our major customers and their past settlement history. We may also grant our market-leading customers a more generous credit period. For instance, we have extended credit terms of certain of our major customers during the Track Record Period.

In addition, the fee models that we have adopted also played a significant role in our trade receivables turnover. In addition to charging our customers a fixed services fee, we also charge our customer a floating fee based on the results of specified performance indicators specified in the service agreements which were mainly related to effectiveness of the implementation of the projects, such as sales amount and sales volume etc. These performance indicators were usually assessed monthly, or at the end of a project. The performance indicators were calculated with reference to our customers' sales performance and financial performance, which would only be available when their management accounts and internal records are prepared at the end of their designated accounting cycles. Invoices will only be issued when the results of performance indicators have been confirmed.

Internal control measures adopted

In order to ensure the accuracy and completeness of the monthly sales figures collected from marketers for the preparation of our period-end financial statements, we will also obtain monthly sales reports of offline retail stores from our customers ("**POS data**") to cross-check monthly sales figures inputted by marketers via digitalised tools. Given that POS data is provided by our customers and we have no authority to edit, the said cross-checking process could ensure the accuracy of our sales figures (collected from marketers) which formed the basis of our revenue. In the event of discrepancies between sales figures collected from marketers and POS data, we will communicate with our customers investigate the reasons for the discrepancies and follow up. The settlement of tasks and marketers matching service generally takes place within one month after the services were provided. We prepare monthly settlement report for our customers' review after crosschecking monthly sales figures collected from marketers against the POS data. Upon our customers' review and agreement of the monthly settlement report, which has been prepared and cross-checked with the POS data provided by our customers, we will issue invoices to customers and the customers will make settlement according to the invoices. During the Track Record Period, we were not aware of any material difference between monthly sales figures collected from marketers and the POS data, which is provided by our customers' designated settlement cycle. As such, the revenue amounts recognised generally would not significantly deviate from the amounts as agreed in the settlement process.

Recoverability

Our Directors are of the view that there is no recoverability issues for trade receivables due from our customers, on the following basis:

- During the Track Record Period, most of our customers' payment was payable with credit term of 30 to 180 days and our trade receivables turnover days were within such range of credit term. In addition, for the same period, we did not experience any material difficulties in collecting trade receivables from our customers. Our trade receivables aged over 120 days only accounted for 6.3%, 15.0% and 11.1% of our trade receivables as at 31 December 2020, 2021 and 2022, respectively. Further, as at 28 February 2023, we had collected 53.8% of our outstanding balance of our trade receivables as at 31 December 2022. As at 28 February 2023, given that most of our outstanding trade receivables as at 31 December 2022 were associated with our top five customers which (i) include market-leading FMCG brand owners (including Fortune Global 500 companies and/or otherwise market-leading FMCG brand owners in the PRC and/or have global presence) and (ii) have good credit history with whom we have long-term business relationships, our Directors consider that the credit risks involved with these customers are low. Our Directors confirm there was no material disagreement or dispute between us and our customers which could adversely affect the recoverability of the trade receivables that remained unsettled.

- In accordance with HKFRS, we have made sufficient loss allowance provisions for trade receivables in the amount of RMB2.9 million, RMB3.6 million and RMB1.2 million as at 31 December 2020, 2021 and 2022, respectively, to mitigate the uncertainties associated with the outstanding amount and continue to make sufficient provisions to account for any potential write-offs and contingent factors.

- Our management closely monitors the amounts and turnover days for our trade receivables and contract assets to minimise and control credit risk. Our management also reviews the outstanding balance with our customers at regular intervals to ascertain the collectability of our trade receivables and where necessary, our business team may follow up on overdue balances from customers and the collection status would be required to be reported to our management on a weekly basis.

- Furthermore, we have adopted credit control procedures, which require our finance team to (i) regularly provide information to senior management and business team regarding updates on trade receivables, such as ageing condition; and (ii) communicate with our customers from time to time to keep track of their business performance and financial conditions so that our finance team can be informed of any anomaly in time. Our senior management will also closely monitor the settlement status of our trade receivables. These internal credit control procedures have been adopted to minimise our credit risk. We believe our long trade receivable turnover days do not have a material adverse impact on our liquidity and cash management.

Based on the foregoing and considering (i) our Directors were not aware of any material adverse events that may affect the financial condition and credibility of our customers; (ii) most of our customers have demonstrated good historical repayment records; and (iii) we exerted strong efforts in collecting payments for overdue balance and assessed the repayment schedules of customers, while requiring the business and development department to conduct regular communications with them, we were not aware of any recoverability issue and sufficient provision had been made accordingly.

Contract costs

During the Track Record Period, our contract costs mainly represented the costs that relate directly to service contracts that will be used in satisfying performance obligation in the future. Our contract costs decreased from RMB2.4 million as at 31 December 2020 to RMB712,000 as at 31 December 2021 and RMB480,000 as at 31 December 2022, which was generally in line with the decrease in average contract costs of ongoing projects as at the respective dates.

As at 28 February 2023, all of the contract cost as at 31 December 2022 were subsequently utilised by our Group and accounted as cost of services of our Group.

Deposits, other receivables and prepayments

Our deposits, other receivables and prepayments, which comprised (i) value-added tax receivables from customers; (ii) deposits from third parties; (iii) other receivables from staff; (iv) prepayments for [REDACTED]; and (v) prepayments to suppliers, amounted to RMB15.6 million, RMB14.9 million and RMB19.8 million as at 31 December 2020, 2021 and 2022, respectively.

As at 28 February 2023, RMB5.5 million, or 27.6% of the deposits, other receivables and prepayments as at 31 December 2022 were subsequently settled/utilised by our Group.

The following table sets forth a breakdown of our deposits, other receivables and prepayments as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current portion			
Value-added tax receivables from customers	13,007	11,045	11,026
Deposits — third parties	1,857	1,800	1,943
Other receivables — staff	670	222	121
Others	46	5	—
	15,580	13,072	13,090
Less: allowance for impairment of other receivables	(126)	(106)	(141)
Other receivables — net	15,454	12,966	12,949
Prepayments for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepayment to suppliers	133	103	976
	133	1,980	6,823

Our deposits, other receivables and prepayments decreased from RMB15.6 million as at 31 December 2020 to RMB14.9 million as at the same date in 2021 primarily because of the decrease in value-added tax receivables from customers from RMB13.0 million as at 31 December 2020 to RMB11.0 million as at 31 December 2021, which was in line with the decrease in contract assets.

Our deposits, other receivables and prepayments increased from RMB14.9 million as at 31 December 2021 to RMB19.8 million as at 31 December 2022 primarily due to the increase in prepayments for [REDACTED].

Amounts due to related parties

As at 31 December 2020 and 2021, our amounts due to related parties, were RMB17,000 and nil, respectively. Our amounts due to related parties as at 31 December 2020 represented the outstanding balance due to Guangzhou Cema for their computing services.

As at 31 December 2022 and 28 February 2023, we had amounts due to related parties of RMB1.4 million and RMB1.5 million respectively, which represented a daily working capital loan which was non-trade in nature, unsecured, interest-free, repayable on demand and provided by Mr. Sun to us. Our Directors confirmed that all outstanding amounts due to related parties had been fully settled as at the Latest Practicable Date.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss represented short-term treasury investment products issued by reputable licensed commercial banks in the PRC. Our financial assets at fair value through profit or loss were RMB9.2 million and RMB4.0 million, as at 31 December 2020 and 2021 respectively. The fluctuations in our financial assets at fair value through profit or loss as at the end of each reporting period was primarily the result of (i) the different maturity profile of the said short-term treasury investment products that we invested in; and (ii) the timing and amount we purchased and redeemed the said short-term treasury investment products during each reporting period. Our financial assets at fair value through profit or loss decreased from RMB4.0 million as at 31 December 2021 to nil as at 31 December 2022. The decrease was due to the redemption of all short-term treasury investment products we invested during FY2022 before the end of the year.

Our treasury and investment policy

Pursuant to our investment policy, investments are defined as activities where the Company receives a return on our available capital such as cash and undistributed profits. Our Board is responsible for the overall planning and evaluation of treasury policy and treasury investment, while our finance team is responsible for the execution and implementation, reviewing and reporting of treasury investment to the Board. Subject to approval of our Board, we may make short-term investments on equities, bonds, funds, treasury investment products and derivatives products which can be readily realised within one year. After the [REDACTED], any investment in financial assets, including wealth management products ,treasury investment products and other similar types of financial assets, by our Group will be subject to compliance with the applicable requirements under Chapter 14 of the Listing Rules.

We have the following measures in place for our investments in financial assets (which includes wealth management products, treasury investment products and other similar types of financial assets):

- we only use our idle funds or surplus cash to purchase financial assets, and such investment shall not affect our operation activities, working capital requirement and investment in relation to our main scope of business;
- the Board is responsible for the overall planning and evaluation of treasury policy;

- we generally only purchase financial instruments provided by sizeable and reputable licensed commercial banks;
- the financial products we invest in shall be generally low-risk and the expected interest rate per annum of which shall be typically higher than the interest rate of fixed deposits for the corresponding period;
- futures trading is prohibited in principle unless approved by the Board;
- subsidiaries of our Group are not allowed to make investment decisions on their own;
- our Company and our subsidiaries are required to conduct a comprehensive review of our short-term investment at the end of each accounting periods and establish provisions based on the estimated, potential losses in accordance with the applicable accounting policies;
- our finance team is in charge of the review and risk assessment of financial products based on the risk classifications provided by the issuing licensed commercial banks, expected investment return as well as the potential changes in interest rates and also consider our financial condition, cash position, operating cash requirements, as well as interest rate changes and finalise the plan for investment in financial products for the chief executive officer's and the financial controller's approval. Our finance team is also responsible for execution, implementation review, and reporting of financial product investment to the Board;
- in the event of significant fluctuations in interest rate, our finance team shall conduct analysis in a timely manner and provide the relevant information to the financial controller;
- the performance for each type of investments is reviewed by our Board quarterly, and our investment portfolio and policies are reviewed and monitored by our Board and management team regularly;
- if the consideration for the proposed transaction represents 5% or more of our total assets in our latest audited account, approval from the Board must also be obtained before purchase;
- if the consideration for the proposed transaction represents 25% or more of our total assets in our latest audited account, approvals from the Board and shareholders must also be obtained before purchase; and
- the investment amount granted by the Board to the chief executive officer for pre-approved transactions and the consideration and the assets value (face value or fair value, whichever the higher) for each individual transaction shall not exceed 5% of our total assets in our latest audited account.

The total aggregated transaction amount with any one counter-party shall not, at any time, exceed 25% of the total assets in our latest audited account unless approvals from the Board and our shareholders at general meeting have been obtained before purchase.

During the Track Record Period, we entered into short-term non-principal protected low to medium risk treasury investments products contracts with reputable licensed commercial banks in the PRC. Our management has exercised due care when making investment decisions with a focus only on low-risk treasury investment products. The senior management of our Group possess the management expertise for the investments in financial products. 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 and therefore she is capable of evaluating and assessing the investment risk and return of different investment products. See "Directors and Senior Management — Senior Management" in this document for details in relation to certain information about Ms. Chen Li.

The following table sets forth the details of the treasury investment products held by our Group at the date indicated:

Product provider	Product type	Subscription date	Principal amount of subscription *(RMB'000)*	Redeemed/ outstanding	Expiration date	Risk rating	Expected return rate	Investment scope	Asset allocation
As at 31 December 2020									
1. China Merchants Bank Co., Ltd. ("**China Merchants Bank**")	Non-principal protected fixed income product	28 December 2020	5,000	Redeemed	10 January 2040	R2(2)	Floating rate(3)	Note(4)	Note(5)
2. China Merchants Bank	Non-principal protected fixed income product	11 November 2020	4,180	Redeemed	10 January 2040	R2(3)	Floating rate(3)	Note(4)	Note(5)
As at 31 December 2021									
3. China Merchants Bank	Non-principal protected fixed income product	11 May 2021	4,000	Redeemed	10 January 2040	R2(2)	Floating rate(3)	Note(4)	Note(5)
As at 31 December 2022									
none									

Notes:

(1) R2 is the second lowest product risk level in the five-level risk classification of China Merchants Bank's investment products ranging from R1to R5. Products fall under the R2 classification are relatively low in loss of principal risk and the fluctuations in floating return are relatively controllable.

(2) The rate of return of the product is affected by on the fluctuation in market rates and the actual investment performance of the product manager. The rate of return is calculated on every business day in accordance with the following formula: current rate of return (annualised) = actual current return/number of subscribed product multiplied by 365 days.

(3) The product mainly invested directly or indirectly in various types of bank deposits, interbank loans, financial assets and financial instruments in the interbank and exchange markets, including but not limited to bank deposits, large value certificates of deposit, bonds, interbank certificates of deposit, asset-backed securities, reverse repos, as well as foreign exchange funds, foreign exchange derivatives and assets managing product targeting at standard debt-based assets and other fixed income financial assets and financial instruments that meet the regulatory requirements. Of which, treasury bills, central bank bills and policy financial bonds with maturities of less than one year should form no less than 5% of the total assets of the product.

(4) The details of the asset allocation of the investment portfolio are set forth below:

Asset types	**Percentage of Allocation**
Fixed income assets	Not less than 100%
Under which: liquid assets	Not less than 5%

In addition to the aforementioned measures, the following measures have been adopted to minimise the risks involved in the purchases of protected treasury investment products:

- the treasury investment products should be highly liquid and the redemption period should not exceed seven days;
- the treasury investment products should not be held for more than one year;
- the product risk level of the treasury investment products must not exceed the level of R2; and
- the treasury investment products must be offered by our Group's principal bank in the PRC or its affiliated financial institutions.

We believe that our investment in financial assets at fair value through profit or loss would not interfere with our business operations or capital expenditures. We will continue to invest in such financial products in accordance of the above-mentioned investment measures after [REDACTED].

Valuation of financial assets measured at fair value

We analyse our financial instruments' fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The main level 3 inputs used by the Group are return rates of the financial assets at FVPL which are derived and evaluated based on the yield rate written in contracts by the counterparties. The following table sets forth the quantitative information about fair value measurements using unobservable inputs.

	As at 31 December					
Description	**2020** *(RMB'000)*	**2021** *(RMB'000)*	**2022** *(RMB'000)*	**Valuation technique**	**Unobservable input**	**Relationship of unobservable inputs to fair value**
Fair value	9,180	4,000	—	Discounted cash flow	Expected return rate	The higher the expected return rate, the higher the fair value.
Range of unobservable input	2.15%–2.91%	2.60%–2.99%	—			

In respect of the assessment of the valuation of (i) our financial assets at FVPL (i.e. short-term treasury investment products); and (ii) our financial assets at FVOCI (i.e. certain trade receivables subject to non-recourse factoring arrangements) with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have considered the following key factors: (i) the available market conditions existing at the end of the reporting period; (ii) the terms written in the treasury investment products contracts and the trade receivables for factoring arrangements; (iii) the expected return rates of the treasury investment products and cost of financing in order to assess the level of returns to our Group; (iv) the discounted rates of certain trade receivables; (v) the valuation related policies and other supporting documents; and (vi) the methodology, assumptions and key parameters adopted for our valuation of such financial instruments. Based on the above considerations, our Directors are of the view that the valuation of our Group's level 3 financial instruments are fair and reasonable and the financial statements of our Group are properly prepared.

Details of the fair value measurement of our financial assets measured at fair value, particularly the fair value hierarchy, the fair value measurements using unobservable inputs, including valuation techniques, significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 3.3 to the Accountant's Report included in Appendix I to this document which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

In relation to the valuation analysis performed by our Directors, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) discussing with management of the Company regarding the nature and background of its investments in the short-term treasury investment products and certain trade receivables, including the expected yield rates and the reasons for making such short-term treasury investments; (ii) reviewing the relevant treasury investment contracts and trade receivables factoring contracts; (iii) understanding from the management of Company the key basis and assumptions for the valuation of financial assets categorised as level 3 fair value measurements; (iv) reviewing relevant notes in the Accountant's Report as contained in Appendix I to this document; and (v) discussing with the Reporting Accountant to understand the work they have performed in relation to the valuation of level 3 financial assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by our Directors and the Reporting Accountant and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that indicates that the management of the Company have not undertaken sufficient investigation and due diligence would to prepare valuation on the Group's level 3 financial instruments.

Cash and cash equivalents

Our cash and cash equivalents consisted of our cash on hand, cash at bank and other financial institutions with original maturities of three months or less. Our cash and cash equivalents were RMB9.1 million, RMB20.3 million and RMB62.7 million as at 31 December 2020, 2021 and 2022, respectively. Our cash and cash equivalents were mainly denominated in RMB. Our cash and cash equivalents increased from RMB9.1 million as at 31 December 2020 to RMB20.3 million as at 31 December 2021, primarily because the increase in net cash generated from operating activities and investing activities outweighed the increase in net cash used in financing activities. Our cash and cash equivalents increased from RMB20.3 million as at 31 December 2021 to RMB62.7 million as at 31 December 2022, primarily generated from the increase in cash from operating activities and a decrease in income tax paid.

Trade and other payables

Our trade and other payables primarily consisted of (i) trade payables; (ii) accrued staff costs; (iii) refund on pension return to customers; (iv) other tax payables; (v) payable for [REDACTED]; (vi) accrual expenses; (vii) reimbursement and refund payables; (viii) payables for acquisition of intangible assets and (ix) others. As at 31 December 2020, 2021 and 2022, our trade and other payables were RMB261.3 million, RMB234.2 million and RMB203.0 million, respectively.

The following table set forth our trade and other payables as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	45,596	45,739	52,066
Other payables:			
— Accrued staff costs	95,113	95,040	79,977
— Refund on pension return to customers *(Note)*	58,866	52,305	48,015
— Other tax payables	55,156	34,150	16,449
— Payable for [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Accrual expenses	1,478	2,019	922
— Reimbursement and refund payables	3,642	1,425	712
— Payables for acquisition of intangible assets	396	—	—
— Others	1,032	719	793
	215,683	188,457	150,966
Trade and other payables	**261,279**	**234,196**	**203,032**

Note: Due to the impact of COVID-19, our Group was reduced from social security payments by the government for a certain period during the year ended 2020. The total payment, received from customers in relation to marketers assignment service for settling the social insurance obligation but subsequently reduced by the government, was RMB70.8 million. As advised by our PRC Legal Adviser, under the Social Insurance Contribution Reduction Policy, only the employing entity (being our Group) is eligible and entitled to reduction of social insurance payment. Furthermore, we, at our own discretion and gesture of goodwill, may refund such payment to its customers upon customers' request and arm's length negotiation with the Group. Taking into consideration the aforementioned factors, as a prudent approach from the accounting perspective, our Group recognised the amount of such reduction of payment as our other payables and did not retain any reduced amount of social security payment as it is uncertain and unclear when and if such reduction of payment should be refunded to our marketers assignment service customers as we consider ourselves as an agent of our customers for the marketers assignment service business. In view of the above, and taking into consideration of the well-established business relationship with our customers, we had negotiated with certain of our customers for returning above payment during the Track Record Period on an arm's length basis and the total amount which had been refunded to relevant customers amounted to RMB11.9 million, RMB6.6 million and RMB4.3 million for each year during the Track Record Period and the refundable balances were amounted to RMB58.9 million, RMB52.3 million and RMB48.0 million as at 31 December 2020, 2021 and 2022 respectively. Further refund will be made at the request of our customers subject to arm' length negotiation on refund arrangement, including, but not limited to timing and payment terms. See Note 25(a) to Accountant's Report in Appendix I to this document for further details.

As at 28 February 2023, RMB130.6 million, or 64.3% of the trade and other payables as at 31 December 2022 were subsequently settled by our Group.

Trade payables

Our trade payables represent unpaid liabilities for services and products provided to us by our suppliers, which mainly include (i) labour service providers; (ii) event consumables suppliers; (iii) data service and related IT service providers. The following table sets forth the ageing analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Up to 90 days	45,596	45,739	52,066

Our trade payables remained relatively stable at RMB45.6 million and RMB45.7 million as at 31 December 2020 and 31 December 2021, respectively. Our trade payables then increased to RMB52.1 million as at 31 December 2022, primarily due to the delayed payment to suppliers as a result of the COVID-19 pandemic.

As at the 28 February 2023, RMB41.9 million, or 80.5% of our trade payables as at 31 December 2022 were settled.

The following table sets forth our trade payables turnover days for the years indicated:

	FY2020	**FY2021**	**FY2022**
Trade payables turnover days *(Note)*	72	70	91

Note: Trade payables turnover days are calculated by dividing the average of the opening and closing balances of trade payables of the relevant year by total cost (excluding employee benefit expenses and impairment losses on inventories) for the relevant period and multiplied by 365 days for FY2020, FY2021 and FY2022.

For FY2020 and FY2021, our trade payables turnover days remained relatively stable at 72 days and 70 days, respectively. For FY2022, our trade payables turnover days increased to 91 days, which was primarily due to our prolonged settlement process as a result of administrative disruptions caused by the COVID-19 pandemic.

Contract Liabilities

Our contract liabilities primarily arise from customer advance payment in relation to our services while the underlying services are yet to be provided.

During the Track Record Period, our contract liabilities associated with marketers assignment service decreased from RMB3.6 million as at 31 December 2020 to RMB3.3 million as at 31 December 2021, then increased to RMB6.9 million as at 31 December 2022. Our contract liabilities mainly arise from prepayment that we received from one of our customers. The fluctuations represented the prepayments that we received versus the services that we rendered.

As at 28 February 2023, RMB2.1 million, or 30.3% of the contract liabilities as at 31 December 2022 were subsequently utilised by our customers and accounted as revenue by our Group.

Income tax payables

Our income tax payables represented the income tax due under the PRC corporate tax law. Our income tax payables decreased from RMB22.4 million as at 31 December 2020 to RMB7.5 million as at 31 December 2021, which was because we recognised social insurance payments, which was received from our customers but subsequently reduced by government as relief policies addressing the impact of the COVID-19 pandemic, under marketers assignment service as revenue for our taxable profit for FY2020. Our income tax payables further decreased to RMB5.6 million as at 31 December 2022, primarily because we have settled our income tax payment for FY2021 at the end of June 2022.

INDEBTEDNESS

The table below set forth the breakdown of indebtedness of our Group as at the dates indicated:

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank borrowings (secured and/or guaranteed)	31,000	54,800	61,273	56,273
Lease liabilities (unsecured and unguaranteed)	8,626	5,911	2,374	2,028
Amounts due to related parties (unsecured and unguaranteed)	17	—	1,447	1,506
Total	**39,643**	**60,711**	**65,094**	**59,807**

As at 28 February 2023, being the latest practicable date for determining our indebtedness, we had outstanding indebtedness of RMB59.8 million comprising (i) bank borrowings of RMB56.3 million, (ii) unsecured and unguaranteed lease liabilities of RMB2.0 million; and (iii) unguaranteed amounts due to related parties of RMB1.5 million. In addition, certain of our Group's bank and other borrowings were guaranteed by our Controlling Shareholders and/or their respective close associates over the Track Record Period, which had been released since August 2022. As at 28 February 2023, we did not have any other banking facilities, borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

As at 28 February 2023, we had unutilised banking facilities of RMB23.7 million, which represented secured credit facilities provided by licensed banks in the PRC.

Our Directors confirm that there has not been any material change in indebtedness and contingent liabilities of our Group since the Latest Practicable date and up to the date of this document.

Lease liabilities

Our lease liabilities represented the present value of outstanding lease payments under our lease agreements.

The following table sets forth our lease liabilities as at the dates indicated:

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current portion	5,056	3,778	2,319	1,811
Non-current portion	3,570	2,133	55	217
Total	**8,626**	**5,911**	**2,374**	**2,028**

Our lease liabilities decreased from RMB8.6 million as at 31 December 2020, to RMB5.9 million as at 31 December 2021, and then further decreased to RMB2.4 million as at 31 December 2022 and RMB2.0 million as at 28 February 2023, primarily due to the decreases in the discounted value of future lease payments as a result of the decrease in the lease term.

Borrowings

Our borrowings represented our secured bank borrowings. As at 31 December 2020, 2021 and 2022 and 28 February 2023, all of our borrowings were repayable within one year or on demand and were denominated in RMB. The following table sets forth the nature, interest rate profile and weighted average interest rate of our interests-bearing bank borrowings as at the dates indicated:

	As at 31 December			As at 28 February
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current secured and/or guaranteed bank borrowings	31,000	54,800	61,273	56,273
Weighted average effective interest rate	4.9%	4.7%	4.2%	4.2%

We borrow from banks mainly for our supporting working capital needs. As at 31 December 2020 and 2021, our bank borrowings were secured and/or guaranteed by a combination of any of the followings: (i) charge over properties held by Mr. Sun and his spouse; (ii) personal guarantees provided by Mr. Sun and his spouse; (iii) corporate guarantees by certain subsidiaries of our Company; and (iv) guarantee provided by a governmental guarantor specially set for small and medium-sized enterprises. All such security/guarantees provided by Mr. Sun and his spouse for our banking borrowings had been released since August 2022.

As at 31 December 2022 and Latest Practicable Date, our bank borrowings were guaranteed by (i) corporate guarantees provided by certain subsidiaries of our Company; and (ii) guarantee provided by a governmental guarantor specially set for small and medium-sized enterprises.

Our borrowings increased from RMB31.0 million as at 31 December 2020 to RMB54.8 million as at 31 December 2021, and then further increased to RMB61.3 million as at 31 December 2022. This was primarily because we strategically adjusted our debt financing mix by increasing amount of bank borrowings and decreasing amount of trade receivables factoring, having taken into account that working capital required for our daily operation and business expansion. During the Track Record Period, weighted average effective interest rate of our bank borrowings ranged from 4.2% to 4.9%, whereas interest rate of our trade receivables factoring ranged from 2.5% to 4.0%.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of bank borrowings or other loan facilities that were due.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from our operating activities, bank borrowings and capital injection from shareholders. After the [REDACTED], we intend to finance our future capital requirements through cash generated from our business operations, the [REDACTED] from the [REDACTED], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	FY2020 *RMB'000*	FY2021 *RMB'000*	FY2022 *RMB'000*
Operating cash flows before changes in working capital	83,883	93,511	85,260
Changes in working capital	(24,567)	(36,688)	10,646
Net cash generated from operations	**59,316**	**56,823**	**95,906**
Income tax paid	(13,513)	(36,713)	(24,303)
Net cash generated from operating activities	45,803	20,110	71,603
Net cash generated from investing activities	83,976	4,794	4,527
Net cash used in financing activities	(139,889)	(13,697)	(33,743)
Net (decrease)/increase in cash and cash equivalents	(10,110)	11,207	42,387
Cash and cash equivalents at the beginning of the year	19,220	9,110	20,317
Cash and cash equivalents at the end of the year	**9,110**	**20,317**	**62,704**

Cash flows from operating activities

Our cash flows from operating activities reflect our profit before income tax as adjusted for (i) non-cash or non-operating income and expenses, such as finance income and costs, loss/(gain) on disposal of assets, fair value gains from FVPL, amortisation and depreciation, shares of losses/(profits) from associates — net and (reversal of impairment losses)/impairment losses on trade receivables, contract assets and other receivables; (ii) changes in working capital, including current assets such as contract assets and inventories and current liabilities such as trade and other payables and contract liabilities; and (iii) the effect of income tax paid.

For FY2022, we had net cash generated from operating activities of RMB71.6 million. Operating cash flows before changes in working capital were RMB85.3 million, primarily reflecting profit before income tax of RMB76.6 million, as positively adjusted by finance costs of RMB3.1 million and amortisation and depreciation of RMB6.0 million. Changes in working capital contributed a cash inflow in the amount of RMB10.6 million consisting primarily of decrease in trade receivables of RMB47.6 million, increase in contract assets of RMB8.1 million and decrease in trade and other payables of RMB31.2 million.

For FY2021, we had net cash generated from operating activities of RMB20.1 million. Operating cash flows before changes in working capital were RMB93.5 million, primarily reflecting profit before income tax of RMB81.5 million, as positively adjusted by finance cost of RMB4.9 million and amortisation and depreciation of RMB7.4 million. Changes in working capital contributed a cash outflow in the amount of RMB36.7 million consisting primarily of increase in trade receivables of RMB72.5 million and decrease in contract assets of RMB32.7 million.

For FY2020, we had net cash generated from operating activities of RMB45.8 million. Operating cash flows before changes in working capital were RMB83.9 million, primarily reflecting profit before income tax of RMB73.4 million, as positively adjusted by finance costs of RMB4.6 million and amortisation and depreciation of RMB7.5 million. Changes in working capital contributed a cash outflow in the amount of RMB24.6 million consisting primarily of increase in trade receivables of RMB99.5 million and a decrease in contract assets of RMB34.6 million.

Cash flows used in investing activities

We derive our cash inflows from investing activities primarily included proceeds from subscription of/redemption of financial assets at fair value through profit or loss and repayment from a director of the Company. Our cash used in investing activities principally reflects our cash used on subscription of financial assets at fair value through profit or loss and advance to related parties of the Company.

For FY2022, we had net cash generated from investing activities of RMB4.5 million, primarily as a result of subscription of financial assets at fair value through profit or loss of RMB683.8 million, which is partially offset by redemption of financial assets at fair value through profit or loss of RMB688.6 million.

For FY2021, we had net cash generated from investing activities of RMB4.8 million, primarily as a result of redemption of financial assets at fair value through profit or loss of RMB581.8 million, which is partially offset by subscription of financial assets at fair value through profit or loss of RMB576.1 million.

For FY2020, we had net cash generated from investing activities of RMB84.0 million, primarily as a result of (i) proceed from redemption of financial assets of RMB425.6 million; (ii) repayment from a related party of the Company of RMB115.9 million; and (iii) interest received of RMB6.7 million, which is partially offset by (i) subscription of financial assets of RMB434.5 million; and (ii) advance to directors of the Company of RMB28.7 million.

Cash flows from financing activities

We derive our cash inflows from financing activities primarily from proceeds of bank borrowings and advance from management of the Company. Our cash used in financing activities principally reflects our cash used on interest paid, repayments of lease liabilities, repayment of bank borrowings, repayment to management of the Company and dividend distribution to the then shareholders.

For FY2022, we had net cash used in financing activities of RMB33.7 million, primarily as a result of (i) repayment of lease liabilities of RMB5.0 million; (ii) repayment of bank borrowings of RMB54.8 million; (iii) deemed distribution to shareholders for Reorganisation of RMB34.7 million; and (iv) payment of [REDACTED] of [REDACTED] million, which is partially offset by (i) proceeds from bank borrowings of RMB61.3 million; and (ii) capital injection from shareholder RMB3.5 million.

For FY2021, we had net cash used in financing activities of RMB13.7 million, primarily as a result of proceeds from bank borrowings of RMB74.6 million, which is partially offset by (i) repayment of bank borrowings of RMB50.8 million; (ii) interest paid of RMB2.4 million; (iii) payment of [REDACTED] of [REDACTED] million; (iv) repayment of lease liabilities of RMB5.8 million; and (v) dividend distribution of RMB26.2 million.

For FY2020, we had net cash used in financing activities of RMB139.9 million, primarily as a result of (i) dividend distribution to shareholders of RMB138.8 million; (ii) repayment of bank borrowings of RMB49.9 million; (iii) repayments of lease liabilities of RMB5.5 million; and (iv) interest paid of RMB1.2 million, which is partially offset by proceeds of bank borrowings of RMB54.0 million.

WORKING CAPITAL CONFIRMATION

During the Track Record Period, we met our working capital needs mainly from our cash and cash generated from operations and short-term bank borrowings. We manage our cash flow and working capital by closely monitoring and managing our operations. We also diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. We generally maintained a stable working capital position during the Track Record Period.

Taking into consideration the financial resources presently available to us, including the expected cash generated from our operations, available financing facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our capital expenditures primarily consisted of expenditures on (i) purchase of plant and equipment; (ii) purchase of intangible assets; and (iii) shareholding acquisition from non-controlling interests for a subsidiary. For FY2020, FY2021 and FY2022, our capital expenditure were RMB1.1 million, RMB2.5 million and RMB392,000, respectively.

We estimated that our capital expenditures for the year ending 31 December 2023 will be RMB21.6 million, which we intend to use primarily for purchase of software, hardware, network equipment and office equipment in accordance with our future plans. We expect to fund these capital expenditures with our available cash resources and [REDACTED] from [REDACTED].

Capital commitments

We had no capital commitment as at 31 December 2020, 2021 and 2022.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios as at the dates or for the years indicated:

	As at and for the year ended 31 December		
	2020	**2021**	**2022**
Revenue growth(1)	–13.1%	0.7%	48.5%
Gross profit margin(2)	39.6%	40.9%	28.1%
Net profit margin(3)	13.0%	14.2%	8.5%
Adjusted net profit margin (non-HKFRS measure)(4)	13.0%	16.2%	11.4%
Current Ratio(5)	1.8	2.0	2.2

Notes:

(1) Revenue growth ratio equals revenue growth divided by revenue for the same period of the last year.

(2) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the year.

(3) The calculation of net profit margin is based on profit for the year divided by revenue for the year.

(4) Adjusted net profit margin (non-HKFRS measure) equals adjusted net profit (non-HKFRS measure) divided by revenues for the year.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our transactions with related parties mainly consisted of (i) interests income received from one of our Controlling Shareholders; and (ii) certain transactions with Guangzhou Cema. Our transactions with related parties were conducted in the normal course of business at prices and terms mutually agree among the parties.

The following table sets forth the summary of our transactions with related parties for the years indicated:

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest income received from			
— Mr. Sun	2,857	—	—

	FY2020	**FY2021**	**FY2022**
	RMB'000	*RMB'000*	*RMB'000*
Research and technical service fees			
— Guangzhou Cema	(413)	(441)	—

The following table sets forth our amounts due to related parties as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
Mr. Sun	—	—	1,447
Guangzhou Cema	17	—	—
	17	—	1,447

As at 31 December 2020, 2021 and 2022, our amounts due to related parties were RMB17,000, nil and RMB1.4 million. As at 28 February 2023, we had amounts due to related parties of RMB1.5 million, representing a daily working capital loan which was non-trade in nature, unsecured, interest-free, repayable on demand and provided by Mr. Sun to us. Our Directors confirmed that all outstanding amounts due to related parties had been fully settled as at the Latest Practicable Date.

The following table sets forth the related parties who had given personal guarantees for our Group's bank borrowings:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees for bank borrowings			
— Mr. Sun and Mrs. Sun	31,000	54,800	—

For FY2020, FY2021 and FY2022, Mr. Sun and Mrs. Sun had provided personal guarantee to secure the bank borrowings, amounted to RMB31.0 million, RMB54.8 million and nil, respectively. All guarantees provided by Mr. Sun and his spouse for our banking borrowings had been released since August 2022.

Our Directors believe the terms of our transactions with related parties were negotiated on normal commercial terms and in the interests of the Company and its shareholders as a whole. Further, our Directors are of view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance. See Note 28 to Accountant's Report in Appendix I to this document for further details on our related party transactions.

FINANCIAL RISKS MANAGEMENT

Our activities expose to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. We regularly manages the financial risks of our Group. Because of the simplicity of the financial structure and the current operations of our Group, no hedging activity is undertaken by management. The board of Directors reviews and agrees to policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of our Group's other financial assets, which comprise financial assets at fair value through profit or loss, trade receivables, deposits, other receivables and prepayments and contract assets were included in the consolidated statements of financial position.

Our Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks whose credit rating are AAA or AA+. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Our Group expects that there is no significant credit risk associated with financial assets at FVPL as the Group invests in treasury investment products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

As at each year end during the Track Record Period, our Group is exposed to concentration of credit risk on trade receivables and contract assets from our Group's five largest customers, which amounted to RMB387.6 million, RMB424.3 million and RMB383.3 million and accounted for 71.4%, 73.1% and 71.2% of the total trade receivables and contract assets balance before loss allowance respectively. The major customers of our Group are reputable organisations and with good repayment history. Management considers that the credit risk is limited in this regard.

Our Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and ageing period. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Our Group divided trade receivables and contract assets into two categories to measure the expected credit loss rates. Category 1 is for customers who have a relatively low credit risk and no default history. Category 2 is for customers who have a relatively higher credit risk. With different types of customers, our Group calculated the expected credit loss rates respectively.

For category 1, our Group considers that these customers have a good credit profile and no default history. Also, these customers are financially capable of settling the outstanding amount. The expected credit loss for these customers are assessed individually. For category 2, the expected credit loss rates for the trade receivables is determined according to a provision matrix where balances that are mainly less than 12 months overdue are provided for at expected credit loss rates. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors (i.e. Gross Domestic Product and Consumer Price Index) affecting the ability of the customers to settle the receivables. Based on the management assessment, the provision for impairment of trade receivables and contract assets is RMB4.0 million, RMB4.4 million and RMB2.8 million as at 31 December 2020, 2021 and 2022, respectively. The expected loss allowance provision for these balances was not material during the Track Record Period. In view of the sound collection history of receivables, the management believes that the credit risk inherent in our Group's outstanding trade receivable balances is not significant.

The following table sets forth a summary of our provision for impairment of assets for category 1 customers for the years indicated:

	Aaa	Aa	A	Baa	Ba	Total
As at 31 December 2020						
Gross carrying amount (RMB'000)	927	183,532	258,888	81,189	—	524,536
Expected credit loss rates	0.02%	0.03%	0.04%	0.09%	0.95%	
Loss allowance (RMB'000)	—*	(58)	(95)	(71)	—	(224)
Net carrying amount (RMB'000)	927	183,474	258,793	81,118	—	524,312

	Aaa	Aa	A	Baa	Ba	Total
As at 31 December 2021						
Gross carrying amount (RMB'000)	728	205,582	288,078	55,334	—	549,722
Expected credit loss rates	0.02%	0.03%	0.04%	0.08%	0.95%	
Loss allowance (RMB'000)	—*	(63)	(113)	(43)	—	(219)
Net carrying amount (RMB'000)	728	205,519	287,965	55,291	—	549,503

	Aaa	Aa	A	Baa	Ba	Total
As at 31 December 2022						
Gross carrying amount (RMB'000)	838	200,354	263,129	35,562	—	499,883
Expected credit loss rates	0.02%	0.03%	0.04%	0.08%	0.95%	
Loss allowance (RMB'000)	—*	(58)	(93)	(27)	—	(178)
Net carrying amount (RMB'000)	838	200,296	263,036	35,535	—	499,705

* *Less than RMB1,000.*

Note: Our customers' portfolio under category 1 remained relatively stable during the Track Record Period and these customers are listed or large corporations with relatively long history in the market and financially sound. Therefore, the expected credit loss rates of these customers for the grading of "Aaa", "Aa" and "A", which had a relatively low credit risk and no default history based on the external credit rating, remained relatively stable during the Track Record Period.

The following table sets forth a summary of our provision for impairment of assets for category 2 customers for the years indicated:

	Current	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
As at 31 December 2020									
Gross carrying amount (RMB'000)	13,392	817	1,623	124	40	—	—	2,509	18,505
Expected credit loss rates	7.16%	7.22%	11.09%	12.10%	22.50%	68.76%	100.00%	100.00%	
Loss allowance (RMB'000)	(959)	(59)	(180)	(15)	(9)	—	—	(2,509)	(3,731)
Net carrying amount (RMB'000)	12,433	758	1,443	109	31	—	—	—	14,774

	Current	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
As at 31 December 2021									
Gross carrying amount (RMB'000)	14,763	11,512	1,582	141	259	239	—	2,517	31,013
Expected credit loss rates	5.16%	5.16%	7.96%	8.51%	16.99%	68.62%	100.00%	100.00%	
Loss allowance (RMB'000)	(762)	(594)	(126)	(12)	(44)	(164)	—	(2,517)	(4,219)
Net carrying amount (RMB'000)	14,001	10,918	1,456	129	215	75	—	—	26,794

	Current	Up to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	Over 180 days	Total
As at 31 December 2022									
Gross carrying amount (RMB'000)	26,157	8,589	1,645	1,315	445	—	177	68	38,396
Expected credit loss rates	5.75%	5.75%	7.96%	9.58%	17.08%	61.03%	100.00%	100.00%	
Loss allowance (RMB'000)	(1,503)	(494)	(131)	(126)	(76)	—	(177)	(68)	(2,575)
Net carrying amount (RMB'000)	24,654	8,095	1,514	1,189	369	—	—	—	35,821

Other receivables at amortised cost mainly represented other receivables and deposits in well-known companies. Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in our Group's outstanding other receivable balances was not significant.

Liquidity risk

Liquidity risk is the risk that we become unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding.

Our Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, our management aims to maintain flexibility in funding by keeping sufficient cash and committed banking facilities available. During the Track Record Period, we typically granted our customers a credit term of 30 to 180 days, whereas the credit terms offered by our suppliers to us were within 90 days, except for certain suppliers required us to make prepayment. With our revenue continuously growing, the mismatch between trade receivables turnover days and trade payables turnover days may put us at liquidity risk. Further, any default or delay in payment by our customers or our failure to collect trade receivables from them may broaden our cashflow mismatch, which may also result in cash flow shortcomings in the future and affect our cash position and results of operations.

The maturity profile of our Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Trade and other payables (excluding non-financial liabilities)	111,010	—	—	—	111,010
Amount due to a related party	17	—	—	—	17
Bank borrowings and interest payments	31,657	—	—	—	31,657
Lease liabilities (including interest payments)	5,382	2,591	1,121	—	9,094
	148,066	2,591	1,121	—	151,778

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade and other payables (excluding non-financial liabilities)	105,006	—	—	—	105,006
Bank borrowings and interest payments	55,333	—	—	—	55,333
Lease liabilities (including interest payments)	3,956	1,971	212	—	6,139
	164,295	1,971	212	—	166,478

	Within 1 year	1 to 2 year	2 to 3 year	Over 3 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022					
Trade and other payables (excluding non-financial liabilities)	106,606	—	—	—	106,606
Amount due to a related party	1,447	—	—	—	1,447
Bank borrowings and interest payments	62,033	—	—	—	62,033
Lease liabilities (including interest payments)	2,379	56	—	—	2,435
	172,465	56	—	—	172,521

Capital risk management

Our Group's objectives when managing capital are to safeguard our Group's ability to continue as going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Our Group uses equity to finance its operations. In order to maintain or adjust the capital structure, our Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, our Group monitors capital on the basis of the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, lease liabilities and amounts due to related parties less cash and cash equivalents and financial assets at fair value through profit or loss. Total capital is calculated as "total equity" as shown in the consolidated statements of financial position.

Our Group's strategy is to maintain a gearing ratio at a minimal level. The gearing ratio as at the dates indicated were as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	31,000	54,800	61,273
Lease liabilities	8,626	5,911	2,374
Amounts due to related parties	17	—	1,447
Less: Cash and cash equivalents	(9,110)	(20,317)	(62,704)
Less: Financial assets at fair value through profit or loss	(9,180)	(4,000)	—
Net debt	21,353	36,394	2,390
Total equity	267,437	325,031	346,494
Gearing ratio	**8.0%**	**11.2%**	**0.7%**

DIVIDEND

No dividend has been paid or declared by our Company since its incorporation. Save for the dividends of RMB165.0 million declared by Plus Shanghai to its then shareholders for FY2020, no dividend was declared or paid by our Group during the Track Record Period and up to the date of this document.

Our Company is a holding company incorporated in the Cayman Islands. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may recommend a payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and such other conditions and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend shall be proposed and approved by the Board in accordance with the Articles, the Cayman Companies Act and any applicable laws and regulations. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or be distributed in any year.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the [REDACTED] of the Shares on the Stock Exchange.

DISTRIBUTABLE RESERVES

As at 31 December 2022, our Group had distributable reserves of RMB194.4 million.

[REDACTED]

[REDACTED] represented professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Assuming an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED], we expect to incur [REDACTED] of a total of RMB[REDACTED] million (equivalent to approximately HK$[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] and consisting of RMB[REDACTED] million in [REDACTED] and RMB[REDACTED] million in [REDACTED] (comprising fees and expenses of legal advisers and reporting accountant of RMB[REDACTED] million and other fees and expenses of RMB[REDACTED] million). Our [REDACTED] charged to profit or loss amounted to RMB[REDACTED] million, RMB[REDACTED] million and RMB[REDACTED] million, for FY2020, FY2021 and FY2022, respectively.

In addition, we estimate that an additional [REDACTED] of RMB[REDACTED] million will be further incurred by us, of which RMB[REDACTED] million (comprising, fees and expenses of legal advisers and reporting accountant of RMB[REDACTED] million and other fees and expenses of RMB[REDACTED] million) is expected to be charged to our consolidated statement of profit or loss and RMB[REDACTED] million (comprising [REDACTED] fees of RMB[REDACTED] million, fees and expenses of legal advisers and reporting accountant of RMB[REDACTED] million and other fees and expenses of RMB[REDACTED] million) is expected to be deducted from equity upon [REDACTED], which is directly attributable to the issue of the [REDACTED]. The [REDACTED] above are the best estimate as of Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as at the date of this document, there has been no material adverse change in our financial and trading positions or prospects since 31 December 2022, this being the end of the period reported on in the Accountant's Report set out in Appendix I to this document.