You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document which have been prepared in accordance with HKFRS. You should read the whole of the Accountant's Report included in Appendix I to the document and not only rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties and that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. 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" in this document. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk factors" and "Business" in this document.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Our business operations consist of two segments, namely (i) new retail segment, which we primarily develop and sell health management products and skincare products, and (ii) IP creation and operation segment, which we create unique celebrity IPs by providing planning and other project management services to media contents, acting as event planning service provider and/or investor in large-scale concerts featuring celebrities and other events, together with designing and licensing of proprietary celebrity IPs. Each segment can be a source of revenue of its own, while our IP creation and operation segment can also create a synergy effect by acting as one of our marketing tools to promote our new retail products and empowered us to become a new retail operator in China with a focus on the sales of health management and skincare products through various channels, including primarily social e-commerce channel such as WeChat. For instance, our *J-Style Trip* season one had empowered the sale of our *MODONG* coffee and we promoted healthy eating and lifestyle through Livestreaming sessions of Mr. Liu Keng-hung and/or Ms. Vivi Wang.

Our business operation comprises several aspects including product development, IP creation and operation, marketing and promotion. During the Track Record Period, our main products included health management and skincare products. During the Track Record Period, we achieved rapid growth in our new retail operations, a majority of which was attributable to the sales of *MODONG* coffee, which we started to distribute nationwide in April 2019. We also provide IP creation and operation services such as IP creations, media content creation, and event planning, through which we created bespoke brands and associated IP contents which in turn empower our new retail business. Our product branding, distribution network and consumer procurement are empowered by our proprietary celebrity IPs and IP-oriented reality shows and events, including a portfolio of various forms of proprietary IPs, such as *ChouMate* and *J-Style Trip* season one which were centered around Mr. Jay Chou. Furthermore, as part of our IP creation and operation services, we produce various TV and online programs which also assisted in the promotion of our new retail operations. For example, we placed discrete product placements in *J-Style Trip* season one, together with the television advertisements accompanying the commercial breaks of *J-Style Trip* season one when being aired in Zhejiang Satellite TV from March to June 2020. Since 2021, we have diversified our portfolio of celebrities and expand our IP portfolio by creating IPs that are related to other celebrities. For example, we were involved in the planning and creation of a popular music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) that was centered around Mr. Harlem Yu and a variety show that was centered around Mr. Liu Keng-hung. We also expanded into the provision of celebrity IP management services since we commenced cooperation with Mr. Liu Keng-hung in late 2021 and successfully boosted our revenue from IP creation and operation business and empowered the sale of our new products, such as Matcha powder, in 2022.

We considered that our business growth during the Track Record Period was mainly attributable to our ability in (a) product development; (b) IP creation and operation; (c) diversified marketing and promotion strategies and activities; (d) building and maintenance of distribution networks; and (e) our management's experience and capability in using the strengths of our Group's different business components in an effective and efficient manner to create synergy effect.

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue was RMB86.6 million, RMB456.9 million, RMB365.3 million and RMB344.2 million, respectively, representing a CAGR of approximately 58.4%.

We recorded net profit of RMB22.7 million, RMB75.6 million, RMB42.9 million and RMB64.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing a CAGR of approximately 41.9%.

BASIS OF PREPARATION

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") are set out below. The Historical Financial Information has been prepared on a historical cost basis unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the Accountant's Report in Appendix I to this document.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period, including HKFRS 9 Financial Instruments ("**HKFRS 9**"), HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") and HKFRS 16 Leases ("**HKFRS 16**").

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed "Risk factors" in this document and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management's assessment of our prospects. The key factors affecting our results of operations include, among other factors, the following:

Development and popularity of e-commerce in China and in our target markets

Driven by the growth of the internet, broadband, personal computer, mobile penetration and the development of fulfillment, payment and other ancillary services associated with online purchases, e-commerce is rapidly rising in significance in China. China's social e-commerce industry has experienced substantial growth over the past few years in terms of GMV, reaching approximately RMB4,464.1 billion in 2021 from RMB362.7 billion in 2016, with a CAGR of 65.2%. It is expected to keep growing at a CAGR of 15.0%, reaching RMB8,981.0 billion by 2026. On the other hand, the total online retail sales value in China, reached approximately RMB13.1 trillion in 2021 from RMB5.2 trillion in 2016 and is expected to further grow at a CAGR of 10.0% to RMB21.0 trillion by 2026. The growing number of online shoppers has made online marketplaces and other e-commerce channels popular retail platforms for brands. The growth of our business depends on the development and popularity of e-commerce and the continued expansion in the size of e-commerce.

Levels of per capita disposable income and consumer spending in China and in our target markets

Consumer spending power has been rising in China and in our other target markets in Asia. The growth of the e-commerce market in these markets depends on the continued increase in consumption. From 2016 to 2021, the per capita disposable income in China increased from RMB23,821 to RMB35,128, at a CAGR of 8.1%. The improved consumption level has led to a boost in consumers' demand for unique and differentiated commodities. IP-related commodities can convey a special emotion links between consumers and IPs through such commodities, which are able to satisfy consumers' taste for unique and differentiated commodities and are expected to be welcomed by Chinese consumers. As a number of IPs are derived from pan-entertainment content, the prosperity of China's pan-entertainment is expected to facilitate the growth of China's IP creation and operation industry. From 2016 to 2021, the per capita spending on education, culture and entertainment in China has increased steadily from RMB1,915 to RMB2,599, at a CAGR of 6.3%. The growing demand for entertainment consumption in China is expected to further facilitate the growth of pan-entertainment industry in China, and therefore drives the development of IP creation and operation industry.

Supportive measures implemented by the PRC government in relation to the sustainable development of social e-commerce

Social e-commerce business has been growing rapidly and became increasingly prosperous during recent years in China and PRC government has been more proactive in encouraging innovation to develop new business models, such as social e-commerce. Furthermore, in order to distinguish social e-commerce from pyramid selling, the Standing Committee of Kunshan Municipal People's Congress had introduced supportive measures to establish pilot zone in Kunshan as the first city for the sustainable development of social e-commerce, which our Directors believe is one of the major future new business models. It is expected that the government support will provide a strong growth basis and will drive the future development of social e-commerce industry in China.

Our ability to launch new product and celebrity IPs

Our ability to successfully develop and launch new products and introduce popular celebrity IPs when appropriate is critical to our success, and in particular to our ability to attract, engage and retain customers, which is key to our continued net revenue growth. During the Track Record Period, a substantial portion of our revenue was generated from the sale of *MODONG* coffee since its nationwide launch in April 2019. Leveraging our success in the launch of *MODONG* coffee, we have been expanding our product offerings and introduced other health management products, such as *MODONG* probiotics lyophilized powder, *MODONG* herb beverage, Matcha powder and *MODONG* light brewed coffee.

We have also introduced various celebrity and other IPs which were used for empowerment of the sale of our products. We designed and developed the *ChouMate* nijigen which is instantly recognizable as artistical personifications of Mr. Jay Chou and market a variety of products, including *MODONG* coffee, in association with the *ChouMate* nijigen, which are well received by the consumers. We have also launched nijigen related to Mr. Liu Keng-hung (i.e. *Coach Liu* (劉教練)), and Ms. Vivi Wang, which are used in the promotion of our products. In addition, we also designed a portfolio of other bespoke IPs, such as *Chaxiaojie* (茶小姐) and *Dr.mg* (摩肌博士), for our various product lines, which provide us with creative and operational control in the manner and content of production promotion.

Having a broad, attractive and updated product mix, together with our popular IPs, helps to maintain the popularity of our brands, increases consumer loyalty and encourages customer purchases. We expect to continue to develop and launch new products and create celebrity and other IPs to respond to the latest industry trends and customer feedbacks.

Our ability to manage and continue to expand our distribution network

We generate a substantial portion of our revenues from product sales through our distribution network. We established a distribution network of our distributors who further established and expanded the distribution by sale of the sub-distributors procured by them, thereby expanding the consumer reach of our products. Some of our distributors and sub-distributors further developed into KOCs of our products and actively promote our products among their PDT through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers.

We expanded our distribution network significantly for the sales of our products under the new retail business during the Track Record Period. As of December 31, 2022, we had approximately 742 distributors and 16,044 sub-distributors in China. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from distributors through the Distribution Agent Assisted Distribution Model and general distribution model amounted to RMB80.8 million, RMB362.4 million, RMB291.7 million and RMB199.4 million, respectively. Our future growth will depend on our ability to manage and continue to expand our distribution network.

Effectiveness of our marketing strategies

Our results of operations also depend on our ability to attract and retain consumers at reasonable marketing expenses. We created bespoke brands and marketing our products through the empowerment by our unique celebrity IPs and associated contents. For example, we place advertisement and product placement in TV program to promote our products. We select distributors with PDT influence potential and turn them into KOC with the purpose to promote our products and brand awareness. Our close cooperation with such KOCs provides us with valuable insights into the impact which these KOCs have on our targeted consumers, and helps us to improve marketing efficiency and effectiveness.

Our marketing expenses and efficiency are also expected to be further improved with our continued rollout of company channels on WeChat, other major e-commerce and social media platforms. Thus, we foster long-term loyalty beyond the point of purchase, promote repeat purchases and increase customer lifetime value in a cost-efficient manner. Moreover, our engagement in different channels and platforms helps to effectively market our brands and products by promoting stronger customer engagement and stickiness through cross-channel integration.

Relationship with Hengmei Group

During the Track Record Period, we generated a substantial portion of our revenue from the sales of *MODONG* coffee. We officially launched *MODONG* coffee nationwide in April 2019. For the years ended December 31, 2019, 2020, 2021 and 2022, the sales of *MODONG* coffee accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue, respectively.

The formula of *MODONG* coffee was co-developed by us and Hengmei Group, which is currently our sole supplier for the product. Hengmei Group is in possession of the technology know-hows for the purpose of manufacturing the product. We also rely on Hengmei Group to procure the raw materials and ingredients of *MODONG* coffee. Maintaining our relationship with Hengmei Group is important to maintain a timely and adequate supply of *MODONG* coffee. Any material adverse change in our relationship with Hengmei Group or other factors affecting the supply of *MODONG* coffee could negatively impact our results of operations and financial condition. Please refer to the section headed "Risk factors – Risk relating to our business and industry – Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee" in this document.

The following tables demonstrate the impact of the hypothetical fluctuation in cost of goods sold under our cost of revenue on our profit before income tax for the years indicated below, assuming that all other factors remain unchanged:

Impact of a change in cost of goods sold under our cost of revenue

	For the year ended December 31,			
	2019	**2020**	**2021**	**2022**
	Changes in profit before income tax *(in RMB thousands)* (unaudited)			
+-20%	(4,848)/4,848	(20,445)/20,445	(17,301)/17,301	(15,318)/15,318
+-15%	(3,636)/3,636	(15,333)/15,333	(12,976)/12,976	(11,489)/11,489
+-10%	(2,424)/2,424	(10,222)/10,222	(8,650)/8,650	(7,659)/7,659

Our ability to control our employee benefit expense

Employee benefit expense was one of the largest component of our selling and marketing expenses and general and administrative expenses. During the years ended December 31, 2019, 2020, 2021 and 2022, our total employee benefit expense amounted to RMB9.1 million, RMB23.9 million, RMB42.7 million and RMB51.5 million, respectively. The increase in employee benefit expenses during the Track Record Period was mainly resulted from (i) the increase in the number of our employees along our business growth; (ii) we recorded an increasing trend for the average base salary of our employees during the Track Record Period; and (iii) the payment of share-based compensation expenses accrued in 2020, 2021 and 2022 of RMB1.8 million, RMB3.6 million and RMB2.2 million, respectively, in recognition of our employees' contribution to our business growth.

Set forth below are details of the number of our employees as at each relevant year end during the Track Record Period, their average salary and salary range (based on the basic salary as provided in their employment contracts):

	As of December 31,											
	2019			2020			2021			2022		
	No. of employees	*Average salary (RMB)*	*Salary range (RMB)*	*No. of employees*	*Average salary (RMB)*	*Salary range (RMB)*	*No. of employees*	*Average salary (RMB)*	*Salary range (RMB)*	*No. of employees*	*Average salary (RMB)*	*Salary range (RMB)*
Senior management	3	25,667	12,000–35,000	6	22,650	18,667–41,667	7	62,459	25,333–83,333	7	67,675	40,000–86,957
Mid-level management	7	16,093	7,750–25,000	14	24,292	9,687–50,000	17	27,963	12,000–50,000	22	41,637	14,400–200,000
Other employees	58	8,127	2,575–25,000	130	8,680	1,913–20,000	166	10,023	2,522–30,000	221	10,481	1,200–30,400
Total/Overall	68	9,721	2,575–35,000	150	10,696	1,913–50,000	190	13,560	2,522–83,333	250	14,859	1,200–200,000

On April 1, 2022, we entered into an employment contract with Ms. Vivi Wang pursuant to which she was employed as our Sale and marketing director at a monthly salary of RMB200,000. For details of our cooperation with Ms. Vivi Wang, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang" in this document.

The following tables demonstrate the impact of the hypothetical fluctuation in our employee benefit expenses on our profit before income tax for the years indicated below, assuming that all other factors remain unchanged:

Impact of change in employee benefit expense

	For the year ended December 31,			
	2019	**2020**	**2021**	**2022**
	Changes in profit before income tax			
	(in RMB thousands) (unaudited)			
+/-20%	(1,815)/1,815	(4,771)/4,771	(8,546)/8,546	(10,300)/10,300
+/-15%	(1,361)/1,361	(3,578)/3,578	(6,410)/6,410	(7,725)/7,725
+/-10%	(907)/907	(2,386)/2,386	(4,273)/4,273	(5,150)/5,150

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and the actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

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

Revenue recognition

Revenue is recognized when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognized over time or at a point in time. Generally, there is no delay due to time required for inspection and acceptance by the customers.

Revenue from new retail business

Sales of health management and skincare products

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the products.

We recognize revenue in an amount equal to the contract sales prices less value-added tax, estimated sales allowances for sales returns and discount (i.e. volume discounts and incentives to distributors, and sales volume based fees to the Selected Distributors). Estimated sales allowances for sales returns and discount (i.e. volume discounts and incentives to distributors, and sales volume based fees to the Selected Distributors) are made based on contract terms and historical patterns.

We are regarded as the principal since in combination, that (a) we are the primary obligator to provide the specified good or service to distributors; (b) we keep all the inventory risk and are responsible for delivery of products; (c) we have discretion in establishing the pricing policy for the health management and skincare products and pre-determine the discounts, incentives and fees required to promote the sales. Thus, revenue from sales of goods is recognized on a gross basis.

Revenue from IP creation and operation

Revenue from production of TV program

Where we undertook the role of investor for the production of TV programs, we either (i) license the copyright and ancillary rights to such TV program to the customers for fixed fees in a period of time in designated geographic region. Revenue is recognized at the point in time upon delivery and acceptance of the product by the customer as control of the TV program is transferred so that the customer can direct the use and obtain the associated benefits; or (ii) sell the copyright and ancillary rights to such TV program to the customers in exchange for cash consideration calculated based on an agreed mechanism, e.g. advertisement income for each episodes in designated geographic region. This constitutes a variable consideration and such revenue is only recognized to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Revenue from production and licensing of entertainment videos

Our Group produces and licenses entertainment videos for customers' specific events with fixed considerations. Revenue is recognized when the videos are available to the customers, generally on delivery of the videos when the customers are provided with rights to use the videos.

Revenue from event planning and management

Revenue from event planning and management where we undertook the role of concert or Internet live broadcasting management, is recognized over the show or event period of a project as customers have simultaneously received and consumed the benefits provided by our services. Revenue is recognized using a straight-line basis over the term of the contract.

Licensing and royalty income

We license proprietary celebrity intellectual properties and created media content to third parties. Any agreed upfront licensing fee is recognized on a straight-line basis over the period of the license agreement. Royalty income from the licensing arrangements is recognized in accordance with the terms of agreements.

Since we have the ability to determine the pricing of the TV programs and entertainment videos licensing and the concerts or Internet live broadcasting, and negotiate the service terms, and bear the relevant costs including the self-production costs of TV programs, entertainment videos and concerts, and take responsibility for managing the licensed libraries, we are regarded as the principal and recognize revenue from the above revenue streams on a gross basis and recognize production costs and other applicable fulfillment costs as cost of revenue.

Celebrity IP management income

Revenue from celebrity IP management arises from the service fee earned us by managing IP of certain celebrities and is recognized on a straight-line basis over the show or broadcasting period. Considering that the celebrities whose IP currently is managed by us has the discretion to determine the basis of performances measurement and the service prices in the contract with advertisers and bear majority of the service costs, the Group is regarded as an agent in such an arrangement and, therefore, recognizes revenue from celebrity IP management on a net basis.

Equity-settled share-based payment

The fair value of share options granted to employees is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, (i) including any market performance conditions (such as the entity's share price); (ii) excluding the impact of any service and non-market performance vesting conditions (profitability, sales growth targets and remaining an employee of the entity over a specified time period); and (iii) including the impact of any non-vesting conditions (for instance, the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Information relating to the scheme is set out in Note 2 to the Accountant's Report included in Appendix I to this document.

Intangible assets

Acquired software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 10 years. Based on the current functionalities equipped by the acquired computer software and our Group's daily operation needs, our Group considers useful lives of 10 years are the best estimation under the current financial reporting needs.

TV program rights

TV program rights are stated at the lower of cost and net realizable value. Cost of TV program rights under production includes all direct costs associated with the production of TV program rights. TV program rights under production are transferred to "TV program rights completed" upon completion of production. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expense.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of financial assets at amortized cost

Our management determines the provision for impairment of trade and other receivables based on an assessment of the expected credit losses of these receivables. The assessment is based on the historical loss experience, adjusted to reflect the effects of current market conditions and forward-looking information, which requires the use of judgments and estimates. Management reassesses the provision at each reporting date.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the applicable variable and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each statement of financial position date.

Net realizable value of TV program rights

Our management determines the impairment for the TV program rights with reference to the estimated future economic benefits derived from the use of these assets. These estimates are based on the current market condition and the historical experience of the economic benefits derived from the assets of similar nature. We take into consideration both internal and external market information, for example, the sales forecasts, sales and distribution costs budget and the general economic condition of the relevant markets. Management reassesses these estimations by each of the balance sheet date.

Current and deferred income taxes

We are subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Financial instrument with redemption rights

We issued ordinary Shares with redemption rights to a **[REDACTED]** Investor. The potential cash payments relating to the redeemable rights are accounted for as a financial liability. The liability is initially recognized at present value of the redemption amount, which is determined by the management in accordance with the terms under the investment agreement. Significant judgments and estimates are involved in making assumptions, including discount rates, in determining the present value of the redemption amount.

SUMMARY OF FINANCIAL RESULTS

The following table sets forth our consolidated statement of comprehensive income for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Revenue	86,585	456,944	365,345	344,157
Cost of revenue	(29,972)	(224,155)	(137,963)	(121,329)
Gross profit	**56,613**	**232,789**	**227,382**	**222,828**
Selling and marketing expenses	(14,393)	(94,914)	(93,809)	(72,447)
General and administrative expenses	(10,330)	(31,563)	(65,091)	(64,094)
Reversal of/(provision for) impairment losses on financial assets	73	(4,452)	922	(745)
Other income	151	1,692	234	21,844
Other expenses	–	–	–	(5,798)
Other gains/(losses), net	(114)	10,254	3,956	(9,553)
Operating profit	**32,000**	**113,806**	**73,594**	**92,035**
Finance income/(costs), net	(160)	35	(8,942)	1,103
Profit before income tax	**31,840**	**113,841**	**64,652**	**93,138**
Income tax expense	(9,121)	(38,210)	(21,761)	(28,240)
Profit for the year	**22,719**	**75,631**	**42,891**	**64,898**
Profit attributable to:				
– Owners of the Company	23,559	78,064	43,649	60,389
– Non-controlling interests	(840)	(2,433)	(758)	4,509
	22,719	**75,631**	**42,891**	**64,898**

NON-HKFRS MEASURES

In order to supplement our consolidated statement of comprehensive income, which is 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 to evaluate our operating performance. We believe that these non-HKFRS measures help identify underlying trends in our business and provide useful information to investors and others in understanding and evaluating our results of operation. However, the use of adjusted net profit (non-HKFRS measure) has material limitations as an analytical tool. When assessing our operating and financial performance, you should not consider adjusted net profit (non-HKFRS measure) in isolation from or as a substitute for any financial performance measure that is calculated in accordance with HKFRS. The term "adjusted net profit (non-HKFRS measure)" is not defined under HKFRS, and such term may not be comparable to other similarly named measures used by other companies.

We define adjusted net profit (non-HKFRS measure) as net profit for the year adjusted by adding back (i) **[REDACTED]** expenses; (ii) share-based compensation expenses; and (iii) interest expense on financial instrument with redemption rights.

The following table sets forth our adjusted net profit (non-HKFRS measure) in each respective year during the Track Record Period:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Profit for the year	22,719	75,631	42,891	64,898
Add:				
[REDACTED] *expenses*[(1)]	–	2,893	15,535	10,059
Share-based compensation expenses[(2)]	–	1,840	3,568	2,216
Interest expense on financial instrument with redemption rights[(3)]	–	–	7,939	–
Adjusted net profit for the year (non-HKFRS measure)	22,719	80,364	69,933	77,173

Notes:

(1) Our **[REDACTED]** expenses are arising from activities relating to the **[REDACTED]**.

(2) The share-based compensation expenses are non-cash in nature and were arising from the grant of share options to Ms. Ma and certain employees of our Group.

(3) Our interest expense on financial instrument with redemption rights was arising from and relating to our **[REDACTED]** Investments, which is non-cash in nature.

We recorded an overall increasing trend in our revenue and adjusted net profit (non-HKFRS measure) during the Track Record Period while achieving exceptionally high revenue in 2020. We recorded adjusted net profit (non-HKFRS measure) of RMB69.9 million in 2021, that was higher than that in 2019, but lower than the same in 2020, primarily due to the fact that our sales of *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020, which empowered the sales of *MODONG* coffee, in particular in the second quarter of 2020. However, after the cessation of material promotional effect of *J-Style Trip* season one since July 2020, the sales of *MODONG* coffee (i) remained at a sustainable level since second half year of 2020 and throughout 2021 in general, and (ii) was significantly higher than that in 2019. Our sales was slightly adversely affected in second half of 2021 as we, our distributors and sub-distributors allocated our resources for the preparation of **[REDACTED]** in the third quarter of 2021.

With respect to our IP creation and operation segment, despite the fact that there was a decrease in revenue from 2020 to 2021 as we did not introduce or being involved in any event planning and IP programs at a scale that were comparable to *J-Style Trip* season one in 2021, we have a significant improvement in the gross profit from IP creation and operation business and recorded a gross profit of RMB21.9 million in 2021, as compared to a gross loss of RMB21.7 million in 2020. We recorded a gross loss in our IP creation and operation business in 2020 mainly because of the cancellation of a number of advertisements due to COVID-19 pandemic at the time when *J-Style Trip* season one was aired.

In 2021, we were unable to launch any events and programs that had a scale as comparable to *J-Style Trip* season one as a result of the adverse impact caused by the outbreak of COVID-19 pandemic, including the implementation of various quarantine measures and traveling restrictions. Our Directors believe this was one of the reasons leading to the fluctuation of the revenue and our adjusted net profit (non-HKFRS measure) discussed above.

Our revenue decreased from RMB365.3 million for 2021 to RMB344.2 million for 2022 mainly due to the decrease in our revenue from the new retail business as a result of the large-scale regional static management control measures imposed by the local government in view of the Resurgence of the COVID-19 pandemic, in particular, our offline marketing activities and the delivery of our products had been severely affected by the travel restrictions imposed. Please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this document for further details. Such decrease was partially offset by the increase in our revenue from the IP creation and operation segment. Despite decrease in revenue derived from new retail segment, we recorded an increase in revenue derived from IP creation and operation segment mainly attributable to our expansion of our IP offerings in the IP creation and operation segment during 2022. Our adjusted net profit (non-HKFRS measure) has increased from RMB69.9 million for the year ended December 31, 2021 to RMB77.2 million for the year ended December 31, 2022, which was primarily attributable to (i) the increase in our other income from government grant and (ii) decrease in our selling and marketing expenses as a result of the restrictions imposed by local government for the prevention of the pandemic.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from (i) product sales in our new retail business; and (ii) IP creation and operation business. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue was RMB86.6 million, RMB456.9 million, RMB365.3 million and RMB344.2 million, respectively. During the Track Record Period, a substantial portion of our revenue was generated from our new retail business. For the years ended December 31, 2019, 2020, 2021 and 2022, our new retail business contributed revenue of RMB80.8 million, RMB365.2 million, RMB301.4 million and RMB240.1 million, respectively, representing 93.3%, 79.9%, 82.5% and 69.8% of our total revenue during the corresponding periods. On the other hand, our IP creation and operation business generated revenue of RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing 6.7%, 20.1%, 17.5% and 30.2% of our total revenue for the corresponding periods.

The table below sets forth our revenue breakdowns by segment for the years indicated:

	Year ended December 31,							
	2019		2020		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
New retail								
Health management products	71,927	83.0	340,787	74.5	275,261	75.4	216,036	62.8
Skincare products	3,450	4.0	20,422	4.5	21,274	5.8	16,272	4.7
Others	5,420	6.3	3,966	0.9	4,860	1.3	7,791	2.3
Subtotal	80,797	93.3	365,175	79.9	301,395	82.5	240,099	69.8
IP creation and operation								
IP content creation and management	4,761	5.5	86,567	19.0	54,399	14.9	95,026	27.6
IP licensing and sales of related products	1,027	1.2	5,202	1.1	9,551	2.6	9,032	2.6
Subtotal	5,788	6.7	91,769	20.1	63,950	17.5	104,058	30.2
Total	86,585	100.0	456,944	100.0	365,345	100.0	344,157	100.0

Revenue from new retail business

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from new retail business was RMB80.8 million, RMB365.2 million, RMB301.4 million and RMB240.1 million, representing 93.3%, 79.9%, 82.5% and 69.8% of our total revenue for the same periods, respectively. Since 2019, our new retail business was boosted following the launch of our *MODONG* coffee and other health management products. For the year ended December 31, 2019, 2020, 2021 and 2022, our sale of (i) health management products contributed to revenue of RMB71.9 million, RMB340.8 million, RMB275.3 million and RMB216.0 million, respectively; and (ii) skincare products contributed to revenue of RMB3.5 million, RMB20.4 million, RMB21.3 million and RMB16.3 million, respectively.

Revenue generated from our health management products

Set forth below is the breakdown of revenue from the sale of our health management products by product type for the years indicated:

	Year ended December 31,							
	2019		**2020**		**2021**		**2022**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
MODONG coffee *(Note)*	71,927	100.0	332,868	97.7	227,772	82.7	150,883	69.8
Molitone prebiotic gummy	–	–	7,919	2.3	2,475	0.9	67	0.0
MODONG probiotics lyophilized powder	–	–	–	–	13,076	4.8	11,585	5.4
MODONG herb beverage	–	–	–	–	14,185	5.2	5,829	2.7
Matcha powder	–	–	–	–	–	–	24,049	11.1
MODONG light brewed coffee	–	–	–	–	–	–	8,628	4.0
Others	–	–	–	–	17,753	6.4	14,995	7.0
Total	71,927	100.0	340,787	100.0	275,261	100.0	216,036	100.0

Note: The sale of our *MODONG* coffee also included revenue allocated to certain ancillary products which were sold to our consumers as a bundle with *MODONG* coffee such as effervescent tablets, coffee cups and body fat scale.

Since its launch in April 2019, *MODONG* coffee has been one of the key products under our health management products. During the years ended December 31, 2019, 2020, 2021 and 2022, our sale revenue from *MODONG* coffee amounted to RMB71.9 million, RMB332.9 million, RMB227.8 million and RMB150.9 million, respectively, representing 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in the corresponding periods. Since 2020, we have been developing various health management products as supplements to the low-carb diet, including the *Molitone* prebiotic gummy, *MODONG* probiotics lyophilized powder and *MODONG* herb beverage, all of which were primarily sold through Kunshan Tingshe. Since 2021, we have also launched other new health management products such as *Dr. INYOU* series, Matcha powder, *MODONG* light brewed coffee and *MODONG* MCT coffee. We have generated revenue of RMB45.0 million and RMB65.1 million for the year ended December 31, 2021 and 2022, respectively from health management products that were newly launched since 2021. For details of our health management products, please refer to the section headed "Business – Our business – New retail business – Health management products" in this document. With our effort in expanding our product offerings, sale revenue attributable to *MODONG* coffee had been gradually reduced from 83.0% of our total revenue for the year ended December 31, 2019 to 43.8% of our total revenue for the year ended December 31, 2022.

Revenue, sales volume, and average selling prices of MODONG coffee

The table below sets forth the revenue, sales volume, and average selling price of *MODONG* coffee for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
Sales revenue *(RMB'000)*	71,927	332,868	227,772	150,883
Sales volume *(boxes)* *(in thousand)*	632	3,315	2,133	1,381
Average selling price *(RMB per box)*	114	100	107	109

(i) Revenue and sales volume of *MODONG* coffee

We officially launched *MODONG* coffee nationwide in April 2019. Sales volume of *MODONG* coffee was 632,000 boxes, 3.3 million boxes, 2.1 million boxes and 1.4 million boxes for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Sales revenue of *MODONG* coffee was RMB71.9 million, RMB332.9 million, RMB227.8 million and RMB150.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in the same periods.

In 2020, we recorded increasing sales revenue and volume of our *MODONG* coffee, primarily due to the celebrity IP branding effect empowered by our proprietary celebrity IP imprinted in *J-Style Trip* season one, where *MODONG* coffee was mentioned to be the brand sponsoring the show and the product itself appeared in the program frequently through product placement, and thus enabling us to (i) enhance the value and enrich the content of our products; (ii) attract and enlarge the fan base of our proprietary celebrity IPs to our products; and (iii) create emotion linkage and resonance between our proprietary celebrities IPs and its fan base.

Our Directors also consider promoting our products in association with our proprietary celebrity IPs would have positive influence and effectiveness on our sales and increase product recognition. Furthermore, the use of proprietary celebrity IPs allow our distributors to increase their interaction with potential consumers as they can share their product feedback and opinion in their social media account.

Our Directors are of the view that the use of proprietary celebrity IP branding in advertising make the advertisement more noticeable to consumers, as they stand out from the media clutter.

Together with our celebrity IP empowerment strategy, we have also placed discrete product placements in *J-Style Trip* season one, together with the television advertisements accompanying the commercial breaks of *J-Style Trip* season one when being aired in Zhejiang Satellite TV from March to June 2020.

As a result of these efforts, we recorded an increase of sales volume of *MODONG* coffee from 632,000 boxes for the year ended December 31, 2019 to 3.3 million boxes for the year ended December 31, 2020 and hence resulted in an increase of sales revenue of *MODONG* coffee from RMB71.9 million for the year ended December 31, 2019 to RMB332.9 million for the year ended December 31, 2020. Our Directors consider the primary reason for such increase in sales volume (as well as the sales revenue) are directly related to the empowerment by our proprietary celebrity IPs and IP-oriented reality shows and programs (such as *J-Style Trip* season one).

Relying on the solid customer foundation, strong distribution networks and the market presence established through the branding effect empowered by our celebrity IPs in 2020, our *MODONG* coffee recorded a sale volume of 2.1 million boxes and sale revenue of RMB227.8 million for the year ended December 31, 2021, despite the cessation of material promotional effect of *J-Style Trip* season one since July 2020 and the fact that we have substantially reduced the utilization of empowerment of Mr. Jay Chou-related IPs in the sale of our *MODONG* coffee in 2021. The sale performance of our *MODONG* coffee in 2021 showed that we are able to maintain our sale at a sustainable level after the cessation of material promotional effect of *J-Style Trip* season one since July 2020 and we reduced to use celebrity IP empowerment, in particular, in view of the fact that the sale of our *MODONG* coffee in 2021 was significantly higher than the previous level in 2019 before the empowerment by Mr. Jay Chou's celebrity IP took effect. The sale volume of our *MODONG* coffee decreased from 2.1 million boxes in the year ended December 31, 2021 to 1.4 million boxes in the year ended December 31, 2022 mainly due to the Resurgence of the COVID-19 pandemic and the related control measures imposed by the local government. Nevertheless, we expect that our sale would gradually recover following the relaxation of the restrictive measures in Yangtze River Delta area and nearby regions. For details, please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this document.

(ii) Average selling price of *MODONG* coffee

The average selling price of *MODONG* coffee is calculated based on our revenue recognized for the sale of our *MODONG* coffee (i.e. after netting off with (i) various volume-based discounts and incentives given to our distributors; and (ii) volume-based fees given to the Selected Distributors selected by Kunshan Tingshe as they are considered as payments to customers under HKFRS 15). For more details regarding the revenue recognition in respect of our sale of *MODONG* coffee, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing Arrangement and Discounts, Incentives and Fees in relation to the sales of Kunshan Tingshe Distributed Products" in this document.

Our average selling price per box of *MODONG* coffee decreased from RMB114 per box for the year ended December 31, 2019 to RMB100 per box for the year ended December 31, 2020, primarily due to (i) the commencement of payment of sales volume based fees to the Selected Distributors starting from 2020 to assist Kunshan Tingshe to promote the sales of *MODONG* coffee and expanding the distribution network; and (ii) more volume discount given to our distributors for meeting certain purchase targets as pre-determined by us.

The average selling price per box of *MODONG* coffee increased from RMB100 per box for the year ended December 31, 2020 to RMB107 per box for the year ended December 31, 2021, primarily because the volume discounts and incentives offered to our distributors and the sales volume based fees to the Selected Distributors in 2021 were lower as compared with those of 2020 primarily resulted from the decrease in sale volume of our *MODONG* coffee in 2021.

The average selling price per box of *MODONG* coffee increased from RMB107 per box for the year ended December 31, 2021 to RMB109 per box for the year ended December 31, 2022, primarily attributable to the decrease in the sales volume based fees to the Selected Distributors due to a lower completion rate of the purchase targets pre-determined by us.

Sales revenue from skincare products

Sales revenue of our skincare products was RMB3.5 million, RMB20.4 million, RMB21.3 million and RMB16.3 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, which accounted for 4.0%, 4.5%, 5.8% and 4.7% of our total revenue in the same periods.

Our sale revenue from skincare products increased from RMB3.5 million for the year ended December 31, 2019 to RMB20.4 million for the year ended December 31, 2020 mainly attributable to (i) the increase in the sale of *LA DEW* Facial Mask in 2020; and (ii) the sale of our products under the *Dr.mg* sub-brand during its soft launch in 2020. Our sale revenue from *LA DEW* skincare series further increased from RMB20.4 million for the year ended December 31, 2020 to RMB21.3 million for the year ended December 31, 2021, primarily attributable to sale generated from products under the *Dr.mg* sub-brand which was officially launched in 2021. Such increase in sales was partially offset by the decrease in sale of *LA DEW* Facial Mask which would be gradually discontinued and replaced by new products to be launched by us.

The sale revenue of our skincare products decreased to RMB16.3 million for the year ended December 31, 2022, which was mainly due to the decline in the revenue contribution through Shouwang Xingguang, our Distribution Agent of skincare products, as a result of the Resurgence where various restriction imposed on social activities and operation of logistics and delivery.

Distribution channels of our new retail business

During the Track Record Period, we primarily distribute our products under the new retail business through (i) Distribution Agent Assisted Distribution Model; (ii) general distribution model; and (iii) other e-commerce channels. For details of our distribution channels, please refer to the section headed "Business – Distribution network" in this document.

Set forth below is the breakdown of revenue from the sale of our new retail business by distribution channels for the years indicated:

	Year ended December 31,							
	2019		2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Distribution Agent Assisted Distribution Model								
– through Kunshan Tingshe	71,894	89.0	340,773	93.3	254,347	84.4	167,663	69.8
– through other Distribution Agents[(Note a)]	–	–	–	–	12,647	4.2	2,142	0.9
Subtotal	71,894	89.0	340,773	93.3	266,994	88.6	169,805	70.7
General distribution model [(Note b)]	8,870	11.0	21,636	5.9	24,716	8.2	29,642	12.4
Other e-commerce channels	33	0.0	2,766	0.8	9,685	3.2	40,652	16.9
Total	80,797	100.0	365,175	100.0	301,395	100.0	240,099	100.0

Notes:

(a) During the years ended December 31, 2021 and 2022, we also generated revenue from sale of products under *Dr.mg* sub-brand under the Distribution Agent Assisted Distribution Model primarily through Shouwang Xingguang as our Distribution Agent.

(b) During the Track Record Period, distributors managed by Kunshan Tingshe have purchased certain other products other than the Kunshan Tingshe Distributed Products. The relevant sale amounted to RMB2.8 million, RMB21.6 million, RMB10.3 million and RMB24.8 million in the year ended December 31, 2019, 2020, 2021 and 2022, respectively, and the revenue was classified under general distribution model.

(i) Distribution Agent Assisted Distribution Model

During the Track Record Period, we generated a substantial part of our revenue from the new retail business through the Distribution Agent Assisted Distribution Model. In particular, our revenue of RMB71.9 million, RMB340.8 million, RMB267.0 million and RMB169.8 million was generated from sales through the Distribution Agent Assisted Distribution Model for the year ended December 31, 2019, 2020, 2021 and 2022, respectively, representing 89.0%, 93.3%, 88.6% and 70.7% of our total revenue from our new retail business in the corresponding year.

Under the Distribution Agent Assisted Distribution Model, Distribution Agents are treated as our agents and our revenue from the relevant sales were based on the selling price of our products from the Distribution Agents to the downstream distributors, after deducting all relevant volume discounts, incentives and sales volume based fees payable by the Distribution Agents to the downstream distributors, which were considered as payments to our customers under HKFRS 15. Please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Background leading to our distribution arrangement with Kunshan Tingshe – Relationship from accounting perspectives".

(ii) Sale revenue generated from Kunshan Tingshe

Kunshan Tingshe is our largest Distribution Agent. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue from sale through Kunshan Tingshe under the Distribution Agent Assisted Distribution Model amounted to RMB71.9 million, RMB340.8 million, RMB254.3 million and RMB167.7 million, respectively, representing 83.0%, 74.6%, 69.6% and 48.7% of our total revenue for the corresponding year.

During the Track Record Period, we sold a substantial portion of our health management products, including our *MODONG* coffee, *Molitone* prebiotic gummy, *MODONG* herb beverage and *MODONG* probiotics lyophilized powder (i.e. the Kunshan Tingshe Distributed Products) through Kunshan Tingshe under the Distribution Agent Assisted Distribution Model. Our revenue recognized under the relevant sale was derived from the gross revenue of our products (based on Kunshan Tingshe's unit selling price to our distributors), after deducting (i) volume discounts and incentives to distributors; and (ii) sales volume based fees to the Selected Distributors. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products" in this document.

Set forth below is the breakdown of our gross revenue from the sale of Kunshan Tingshe Distributed Products and reconciliation between the gross revenue and our revenue recognized by us:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Gross revenue *(Note 1)*				
MODONG coffee	90,319	457,052	297,693	199,387
Molitone prebiotic gummy	–	10,874	2,757	57
MODONG herb beverage	–	–	15,549	15,375
MODONG probiotics lyophilized powder	–	–	15,442	7,738
Total gross revenue	90,319	467,926	331,441	222,557
Volume discounts and incentives to distributors *(Note 2)*	(18,425)	(111,893)	(72,425)	(52,673)
Sales volume based fees to the Selected Distributors *(Note 3)*	–	(15,260)	(4,669)	(2,221)
Our revenue from the Kunshan Tingshe Distributed Products *(Note 4)*	71,894	340,773	254,347	167,663

Notes:

(1) The gross revenue were determined based on Kunshan Tingshe's unit selling price to our distributors of the relevant products.

(2) Details of the volume discounts and incentives to distributors are set out in the section headed " Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting – 1.1".

(3) Details of the sales volume based fees to the Selected Distributors are set out in the section headed Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting – 1.2".

(4) Represent our revenue recognized from the sale of Kunshan Tingshe Distributed Products through Kunshan Tingshe.

During the Track Record Period, distributors managed by Kunshan Tingshe have also purchased products other than the Kunshan Tingshe Distributed Products for, inter alia, promotion of the sale of the Kunshan Tingshe Distributed Products by placing orders on the Ordering System. Despite that the distributors would make such purchases through Kunshan Tingshe, no discounts, incentives or fees would be payable to Kunshan Tingshe for the relevant sales and Kunshan Tingshe was not acting as the Distribution Agent in the relevant sales. The relevant sale amounted to RMB2.8 million, RMB21.6 million, RMB10.3 million and RMB24.8 million in the year ended December 31, 2019, 2020 and 2021 and 2022, respectively, and the revenue was classified under general distribution model. Our total revenue attributable to sales through Kunshan Tingshe, including the sale under the general distribution model, amounted to RMB74.7 million, RMB362.4 million, RMB264.6 million and RMB192.5 million for the year ended December 31, 2019, 2020, 2021 and 2022, respectively.

We have endeavored to diversify our distribution channels by introducing sales through the general distribution model and other e-commerce channels. For details, please refer to the section headed "Business – Distribution network" in this document.

(iii) Sale through general distribution model

During the Track Record Period, we also sold certain health management and skincare products through our network of distributors and sub-distributors without engagement of a Distribution Agent. Apart from the sale to the distributors managed by Kunshan Tingshe, under the general distribution model, our products were directly sold to the distributors, who would further sell our products to end consumers through various online and offline channels. For the year ended December 31, 2019, 2020, 2021 and 2022, we generated revenue of RMB8.9 million, RMB21.6 million, RMB24.7 million and RMB29.6 million, respectively, through the general distribution model. For details of our other distributors under the general distribution model, please refer to the section headed "Business – Distribution network – General distribution model" in this document.

(iv) Sale through other e-commerce channels

During the Track Record Period, we have been expanding our distribution channels to various e-commerce channels, including our *Star Plus 4U* App (巨星優選) and our stores on third party online platforms such as our *Tmall* stores, *Kuaishou* stores and *Douyin* stores. In particular, we have expanded our distribution channels to sale through E-commerce Livestreaming sessions on *Douyin* since December 2021 in view of the impacts of the Resurgence on the conduct of offline marketing activities. During the Track Record Period, our revenue generated from sales through other e-commerce channels witnessed an increasing trend amounting to RMB33,000, RMB2.8 million, RMB9.7 million and RMB40.7 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Please also refer to the section headed "Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels" in this document for further details.

Revenue from IP creation and operation business

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from IP creation and operation business was RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million, representing 6.7%, 20.1%, 17.5% and 30.2% of our total revenue for the same periods, respectively. Our IP creation and operation business could be further subdivided into (i) IP content creation and management; and (ii) IP licensing and sales of related products.

Revenue from IP content creation and management

During the Track Record Period, our revenue generated from IP content creation and management primarily included advertisement income, licensing fees and/or service fees arising from TV and online programs initiated and created by us, service fees generated from project planning services provided to large scale concerts and other events, and income from celebrity IP management. Revenue from this business segment was RMB4.8 million, RMB86.6 million, RMB54.4 million and RMB95.0 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, which accounted for 5.5%, 19.0%, 14.9% and 27.6% of our total revenue in the same periods.

In 2019, we recorded revenue of RMB4.8 million from IP content creation and management which was mainly attributable to our services as a planning service provider for Zhanjiang Superstar Concert held in August 2019. In 2020, we recorded a significant amount of revenue resulting from the airing of *J-Style Trip* season one on Zhejiang Satellite TV and Netflix. For the year ended December 31, 2020, we recorded revenue of RMB81.6 million from the airing of *J-Style Trip* season one which mainly consisted of (i) the licensing fees received from Zhejiang Satellite TV and Netflix during 2020 for the airing of *J-Style Trip* season one; and (ii) advertisement income received from Zhejiang Satellite TV resulting from the airing of *J-Style Trip* season one on their platform. We also generated service fee from the planning of the Ningbo Superstar Performance Mega Night in 2020.

In 2021, our revenue from IP content creation and management decreased to RMB54.4 million mainly because (i) we have generated a significant amount of revenue from the airing of *J-Style Trip* season one in 2020; and (ii) the schedule of events and/or production of IP program have been affected by the COVID-19 pandemic and the related control measures. In addition, we have been expanding our IP content creation and management business through cooperating with different platforms. Our revenue from IP content creation and management during the year ended December 31, 2021 was mainly generated from service fees for the planning and creation of (i) a music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) on *Kuaishou*; (ii) performances at a music award ceremony organized by a leading music streaming service provider in the PRC; and (iii) performances at variety shows that were streamed on various online platforms, including a leading video sharing and streaming platform in the PRC. We consider that, by leveraging on established business relationship, we would be able to further develop our IP content creation and management business through deeper cooperation with the leading online platforms.

Our revenue from IP content creation and management has increased from RMB54.4 million for the year ended December 31, 2021 to RMB95.0 million for the year ended December 31, 2022. Such increase was mainly attributable to the revenue generated from (i) certain IP programs, including two World-Cup related music and variety programs, a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou and an online music show centered around Mr. Jay Chou; and (ii) our cooperation with Mr. Liu Keng-hung through Talent Planet. For details of our cooperation with Mr. Liu Keng-hung, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" in this document. We recognized our revenue from our cooperation with Mr. Liu Keng-hung was derived after deducting, from the total amount of fees to be received from brand owners or the MCN Company (as the case may be), the profit share of the relevant business partners, including but not limited to, channel providers, Mr. Liu Keng-hung and W&V. During the year ended December 31, 2022, we cooperated with the MCN Company in the event planning and IP program associated with Mr. Liu Keng-hung on certain designated online platforms, under which we were entitled to sharing of the sponsorship amounts from brand owners on agreed rates. For details of the cooperation arrangement, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" in this document.

Revenue from IP licensing and sales of related products

In addition to IP content creation and management, we also generated revenue from licensing of our IPs and sale of related products. Since 2019, we have licensed the *ChouMate* IP to certain entities including banks and toy companies, and designed offline IP operation plans around *ChouMate* as well as sell other accessories products.

For the year ended December 31, 2019, 2020, 2021 and the 2022, we generated revenue of RMB1.0 million, RMB5.2 million, RMB9.6 million, and RMB9.0 million, respectively, from IP licensing and sales of related products which accounted for 1.2%, 1.1%, 2.6% and 2.6% of our total revenue in the same periods. Our revenue from IP licensing and sales of related products increased during the Track Record Period mainly because (i) we have licensed the *ChouMate* IP to increasing number of companies for the use in their business; and (ii) the sale of *ChouMate* accessories and related products had increased.

Cost of revenue

For the years ended December 31, 2019, 2020, 2021 and 2022, our cost of revenue was RMB30.0 million, RMB224.2 million, RMB138.0 million and RMB121.3 million, respectively.

The following table sets forth the major components of our cost of revenue for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Cost of goods sold	24,239	102,223	86,504	76,590
Cost of event planning and management services	3,901	5,414	36,311	29,529
Transportation and logistics expense	818	2,242	6,238	5,039
Costs of TV program rights	–	106,024	–	–
Other tax and surcharges	742	3,273	2,374	2,008
Provision for impairment of inventories	–	3,029	6,189	6,725
Others	272	1,950	347	1,438
Total	29,972	224,155	137,963	121,329

Cost of goods sold

Costs of revenue from new retail business consisted primarily of cost of goods sold, which was the cost paid to third-party manufacturers and other suppliers for the production of our products. Cost of goods sold was RMB24.2 million, RMB102.2 million, RMB86.5 million and RMB76.6 million for the years ended December 31, 2019, 2020, 2021 and 2022 respectively, which accounted for 80.9%, 45.6%, 62.7% and 63.1% of our total cost of revenue in the same periods. The fluctuation in cost of goods sold was mainly attributable to the fluctuation in our sale of *MODONG* coffee, which was the major products under our new retail business during the Track Record Period.

Cost of event planning and management services

Cost of event planning and management services was primarily attributable to the cost paid to performers, artist agencies and/or other suppliers in relation to the concerts, event or programs for which we acted as a planning service provider. For the years ended December 31, 2019, 2020, 2021 and 2022, we mainly acted as a planning service provider for one, one, six and seven concerts, events or programs, respectively. For the year ended December 31, 2022, our cost of event planning and management services mainly included (i) fees to service providers in relation to the IP events and programs associated with our cooperation with Mr. Liu Keng-hung and Mr. Jay Chou; and (ii) the monthly service fees to W&V for artiste management services provided in relation to Mr. Liu Keng-hung.

Cost of TV program rights

Our TV program rights are recognized as our costs during the period the relevant programs are released through distribution channels. Costs of TV program rights for the year ended December 31, 2020 was primarily attributable to *J-Style Trip* season one, which was first aired in March 2020 and completed in June 2020. As we did not launch other TV program during other year during the Track Record Period, we did not record any costs of TV program rights in the relevant year.

Provision for impairment of inventories

For the year ended December 31, 2020, 2021 and 2022, we recorded provision for impairment of inventories of RMB3.0 million, RMB6.2 million and RMB6.7 million, respectively, which was mainly related to our inventories of certain non-core products, including children educational gadgets namely Maji Doggie (小麻吉) ("**Maji Doggie**") and beauty treatment equipment. The relevant products were launched by us in 2018 when we initially tapped into the new retail business on a trial basis. The sale of these products had been adversely affected by the COVID-19 pandemic as (i) their prices were relatively high as compared to our other products; and (ii) the target customers of the beauty treatment equipment were mainly beauty salons, the operation of which had been materially affected by the pandemic. As we consider that (i) the sale of these products would continue to be affected by the pandemic in the near future; and (ii) the target consumers of these products were not in line with our current distribution network, we decided to make full provisions for the inventories of the relevant products for the year ended December 31, 2022. In addition, we have made provision for impairment of inventories for certain raw materials and finished goods of our health management and skincare products during the year ended December 31, 2022. As at December 31, 2022, all the provision of impairment of inventories had been fully written-off. Please refer to the paragraph headed "– Discussion of certain key items of consolidated statement of financial position – Inventories" in this section for further details for the write-off of our provision.

Gross profit and gross profit margin

The table below sets forth our gross profit and gross profit margin by business segment for the years indicated:

	Year ended December 31,							
	2019		2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
New retail								
Health management products	51,111	71.1	242,166	71.1	197,177	71.6	140,192	64.9
Skincare products	1,424	41.3	14,381	70.4	13,970	65.7	9,815	60.3
Others *(Note)*	2,601	48.0	(2,059)	(51.9)	(5,677)	(116.8)	739	9.5
Subtotal	55,136	68.2	254,488	69.7	205,470	68.2	150,746	62.8
IP creation and operation								
IP content creation and management	1,290	27.1	(24,011)	(27.7)	18,222	33.5	65,497	68.9
IP licensing and sales of related products	187	18.2	2,312	44.4	3,690	38.6	6,585	72.9
Subtotal	1,477	25.5	(21,699)	(23.6)	21,912	34.3	72,082	69.3
Total	56,613	65.4	232,789	50.9	227,382	62.2	222,828	64.7

Note: Others represent our gross profit/(loss) and gross profit/(loss) margin of the sale of our non-core products, mainly including Maji Doggie (a children educational gadget), beauty treatment equipment and air purifier. We recorded gross loss from the sale of other products for the year ended December 31, 2020 and 2021 mainly due to the provision for impairment in respect of inventories of certain non-core products. For details, please refer to the paragraph headed "– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories" in this section above.

Our gross profit was RMB56.6 million, RMB232.8 million, RMB227.4 million and RMB222.8 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 65.4%, 50.9%, 62.2% and 64.7% in the same periods, respectively. Our gross profit increased from RMB56.6 million for 2019 to RMB232.8 million for 2020 primarily due to the increase of gross profit generated from the sale of our *MODONG* coffee. We recorded a decrease in the gross profit margin from 65.4% in 2019 to 50.9% in 2020 primarily because we recorded a gross loss for our IP creation and operation business which was negatively impacted by COVID-19 in 2020. Our gross profit decreased from RMB232.8 million in 2020 to RMB227.4 million in 2021 mainly due to the decrease in the sale of our *MODONG* coffee. Our gross profit margin increased from 50.9% in 2020 to 62.2% in 2021, mainly due to the improvement in the gross profit margin of our IP creation and operation services. Our gross profit decreased from RMB227.4 million for the year ended December 31, 2021 to RMB222.8 million for the year ended December 31, 2022, which was mainly due to the decrease in our gross profit from the new retail business, as partially offset by the increase in our gross profit from the IP creation and operation business. Our gross profit margin increased from 62.2% for the year ended December 31, 2021 to 64.7% for the year ended December 31, 2022, which was mainly attributable to the increase in the gross profit margin of our IP creation and operation business.

New retail business

Our gross profit for new retail business was RMB55.1 million, RMB254.5 million, RMB205.5 million and RMB150.7 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 68.2%, 69.7%, 68.2% and 62.8% in the same periods, respectively.

Gross profit and gross profit margin of health management products

We officially launched *MODONG* coffee and *Molitone* prebiotic gummy nationwide in April 2019 and April 2020, respectively. In 2021, with a view to expand our product offerings, we further launched various health management products including the *MODONG* herb beverage and *MODONG* probiotics lyophilized powder. Our gross profit for health management products was RMB51.1 million, RMB242.2 million, RMB197.2 million and RMB140.2 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. The gross profit of our health management products demonstrated a similar trend as the revenue. The gross profit margin of our health management products remained relatively stable at 71.1%, 71.1% and 71.6% for the years ended December 31, 2019, 2020 and 2021, respectively. The gross profit margin of our health management products decreased to 64.9% for the year ended December 31, 2022 mainly due to the decrease in the revenue contribution of *MODONG* coffee which has a relatively higher gross profit margin than other health management products.

Gross profit and gross profit margin of skincare products

Our gross profit for skincare products was RMB1.4 million, RMB14.4 million, RMB14.0 million and RMB9.8 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 41.3%, 70.4%, 65.7% and 60.3% in the same periods, respectively.

We recorded an increase in our gross profit for skincare products from 2019 to 2020 because, with the airing of *J-Style Trip* season one on various viewing platforms such as Zhejiang Satellite TV and Netflix in March 2020, less operational and marketing resources would have to be placed into *MODONG* coffee given the airing *J-Style Trip* season one has directly empowered the sales volume of *MODONG* coffee during the relevant period by creating a promotional effect. As a result, we were able to divert the excess resources into the marketing of skincare products, and this resulted in an increase in the sales revenue of skincare products in 2020. Moreover, by this stage, we have obtained a more thorough understanding of the market and therefore we decided to focus on selling products that has a relative higher gross profit margin during 2020. As a result, our gross profit margin for the year ended December 31, 2020 increased to 70.4%.

For the year ended December 31, 2021, our gross profit from skincare products remained relatively stable at RMB14.0 million, as compared to that of 2020. The gross profit margin of our skincare products decreased from 70.4% in the year ended December 31, 2020 to 65.7% in the year ended December 31, 2021, primarily due to the launch of certain new products in 2021 with lower gross profit margin.

Our gross profit from skincare products decreased from RMB14.0 million for the year ended December 31, 2021 to RMB9.8 million for the year ended December 31, 2022. The gross profit margin of our skincare products also decreased from 65.7% for the year ended December, 2021 to 60.3% for the year ended December 31, 2022. Such decrease was mainly due to (i) the decrease in the average price of our skincare products arising from marketing activities conducted by us, including the offer of bulk-purchase discounts and the provision of samples and gifts, in view of the weak market sentiment during the year ended December 31, 2022; and (ii) our provision made for impairment for certain, inter alias, raw materials and finished goods of our skincare products during the year ended December 31, 2022.

Gross profit and gross profit margin of other products

We recorded gross profit from the sale of other products of RMB2.6 million and RMB0.7 million for the year ended December 31, 2019 and 2022, respectively with a gross profit margin of 48.0% and 9.5%, respectively. For the year ended December 31, 2020 and 2021, we recorded gross loss of RMB2.1 million and RMB5.7 million respectively, from our sale of our other products, primarily due to the provision of impairment for inventories of RMB3.0 million and RMB6.2 million recorded in the corresponding periods, in connection with certain slow-moving products which were our non-core products. For details of our provision for impairment for inventories, please refer to the paragraph headed "– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories" in this section above.

Gross profit and gross profit margin of IP creation and operation business

We recorded gross profit for IP creation and operation business of RMB1.5 million, RMB21.9 million and RMB72.1 million for the years ended December 31, 2019, 2021 and 2022, respectively. Our gross profit margin was 25.5%, 34.3% and 69.3% in the same periods, respectively. For the year ended December 31, 2020, we have recorded a gross loss of RMB21.7 million primarily due to the gross loss we recorded in connection with *J-Style Trip* season one.

Gross profit and gross profit margin of IP content creation and management

In the year ended December 31, 2019, we generated a gross profit of RMB1.3 million, with a gross profit margin of 27.1%, from our provision of planning services for Zhanjiang Superstar Concert. For the year ended December 31, 2020, we have recorded a gross loss of RMB24.0 million as compared to gross profit of RMB1.3 million for the year ended December 31, 2019, primarily attributable to the uncertain economic conditions resulting from COVID-19 during the period of airing *J-Style Trip* season one in March 2020 in Zhejiang Satellite TV. Given the uncertain economic conditions during the relevant period, there was a cancellation of a number of advertisements in and between the shows as a result of the general negative impact of COVID-19 at the time, and ultimately resulted in a significant decrease in the relevant advertisement fees received by us.

For the year ended December 31, 2021, we recorded a gross profit of RMB18.2 million and gross profit margin of 33.5% for our IP content creation and management business. This is primarily attributable to the service fees we received from organizing (i) the music talk show of *You Can Run But You Can't Hide* (既來之則樂之), which was aired on *Kuaishou* during the Chinese New Year in 2021; (ii) the performances in a music event organized by a leading music streaming service provider in the PRC; and (iii) variety shows that were streamed on various online platforms.

Our gross profit from IP content creation and management increased from RMB18.2 million for the year ended December 31, 2021 to RMB65.5 million for the year ended December 31, 2022, which was mainly attributable to our service fees from organizing and planning of a variety show broadcast and Livestreaming sessions on a leading short videos platform in the PRC, as well as revenue generated from our cooperation with Mr. Liu Keng-hung. For details of our cooperation, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang" in this document. Our gross profit margin from IP content creation and management also increased from 33.5% for the year ended December 31, 2021 to 68.9% for the year ended December 31, 2022, mainly because our revenue from the cooperation with Mr. Liu Keng-hung was recorded on a net basis, after deducting the fees payable to the MCN Company, W&V and/or Mr. Liu Keng-hung. Please refer to the paragraph headed "Description of major components of our results of operations – Revenue – Revenue from IP creation and operation business" in this section.

Gross profit and gross profit margin of IP licensing and sales of related products

Our gross profit for IP licensing and sales of related products, such as *ChouMate* and other accessories products was RMB187,000, RMB2.3 million, RMB3.7 million and RMB6.6 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 18.2%, 44.4%, 38.6% and 72.9% in the same periods, respectively. We recorded an increase in gross profit and gross profit margin for the year ended December 31, 2022 mainly due to (i) the increase in the revenue contribution from licensing fee which had a comparatively higher gross profit margin; and (ii) the decrease in the revenue contribution from sale of IP related products which had a relatively lower gross profit margin.

Selling and marketing expenses

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

	Year ended December 31,							
	2019		2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Advertising and marketing expenses	4,423	30.7	41,517	43.7	35,462	37.8	17,571	24.3
Commissions	3,290	22.9	38,026	40.1	40,122	42.8	32,309	44.6
Employee benefit expenses	3,993	27.7	10,748	11.3	14,970	16.0	19,328	26.7
Traveling and entertainment expenses	1,107	7.7	2,079	2.2	1,845	2.0	1,771	2.4
Office expenses	517	3.6	847	0.9	328	0.3	757	1.0
Others	1,063	7.4	1,697	1.8	1,082	1.1	711	1.0
	14,393	100.0	94,914	100.0	93,809	100.0	72,447	100.0

For the years ended December 31, 2019, 2020, 2021 and 2022, our selling and marketing expenses amounted to RMB14.4 million, RMB94.9 million, RMB93.8 million and RMB72.4 million, which accounted for 16.6%, 20.8%, 25.7% and 21.1% of our total revenue for the same periods, respectively. The significant increase in selling and marketing expenses during the three years ended December 31, 2021 was primarily due to the increase in advertising and marketing expenses, commissions, and employee benefit expenses, which was in line with our business expansion and development. Our selling and marketing expenses decreased from RMB93.8 million for the year ended December 31, 2021 to RMB72.4 million for the year ended December 31, 2022 mainly due to the decrease in our advertising and marketing expenses and commissions. For details, please refer to the paragraph headed "– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses" in this section below.

Our selling and marketing expenses primarily include:

- *advertising and marketing expenses*, which mainly consisted of TV sponsorship, advertisement and marketing, expenses for providing trial samples and packaged gifts, expenses for hosting events, conferences, meetings and training workshops for our distributors. Please refer to the below paragraph headed "– Advertising and marketing expenses" for further details for our advertising and marketing expenses;

- *commissions*, which mainly consisted of Service Fee to Li Ting, Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe, Additional Incentive Fee to Kunshan Tingshe and commissions to celebrities and KOLs. For details, please refer to the paragraph headed "– Commission" below;

- *employee benefit expenses*, which mainly consisted of wages, social security costs, housing benefits and compensation expenses paid to our sales and marketing staff;

- *traveling and entertainment expenses*, which mainly consisted of disbursement incurred in connection with the sales and marketing activities;

- *office expenses*, which mainly consist of decorations, refurbishments, and daily maintenance; and

- *others*, such as daily operating expenses.

Advertising and marketing expenses

The following table sets forth the breakdown of advertising and marketing expenses for the years indicated:

	Year ended December 31,							
	2019		2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
TV sponsorship, advertisement and marketing *(Note 1)*	1,404	31.7	14,135	34.0	5,669	16.0	8,131	46.3
Trial samples and packaged gifts *(Note 2)*	–	–	7,181	17.3	9,374	26.4	3,686	21.0
Events and trainings *(Note 3)*	1,469	33.3	11,440	27.6	14,472	40.8	4,301	24.5
Concert sponsorship fees	–	–	3,532	8.5	–	–	–	–
Spokesperson fees	1,067	24.1	1,045	2.5	771	2.2	–	–
Others *(Note 4)*	483	10.9	4,184	10.1	5,176	14.6	1,453	8.2
	4,423	100.0	41,517	100.0	35,462	100.0	17,571	100.0

Notes:

1. Our expenses on TV sponsorship, advertisement and marketing mainly included fees paid to advertisement agencies and service providers for advertisement production and organizing promotion campaigns in respect of our products, including our marketing fees incurred for (i) the placement of TV advertisement and product placement of our *MODONG* coffee in a TV program on Zhejiang Satellite TV, namely The Journey of Poetic Soul (還有詩和遠方) in the amount of RMB9.4 million and RMB1.9 million for 2020 and 2021, respectively; (ii) the placement of TV advertisement for *MODONG* coffee during the airing time of *The Shape of Culture season 2* (萬里走單騎2) in the amount of RMB314,000 and RMB1.6 million for 2021 and 2022, respectively; (iii) service fees for the operation of the *MODONG* health (魔胴健康) APP, which was used in a promotion campaign of the Group, in the amount of RMB2.1 million and RMB3.5 million for 2020 and 2021, respectively; and (iv) service fees paid to Kunshan Huaxing mainly for the operation of *Star Plus 4U* (巨星優選) App in the amount of RMB3.4 million during 2022.

2. We provided trial samples and packaged gifts to existing and potential distributors, sub-distributors and consumers as part of our promotion activities. As the provision of trial samples and packaged gifts was mainly for the promotion of our products and our brand, the relevant expenses were borne by our Group instead of Kunshan Tingshe.

3. Our expenses on event and training mainly included our fees incurred in the hosting of our annual events, conferences, meetings and trainings relating to our branding and products among our distributors, sub-distributors and/or other business partners, including but not limited to expenses on transportation, venue and accommodations for the relevant events, for the purpose of, among other things, promoting and enhancing our brand awareness. Such expenses were mainly attributable to (i) hosting of our annual events, conference tours and other large-size events, including (a) our annual event in Ningbo and conference tour in Chengdu during 2020 in the amount of RMB5.5 million and RMB3.6 million, respectively; (b) our four-day annual event in Ocean Flower Island and conference tour in Xi'an and Qinghai during 2021 in the amount of RMB7.0 million and 5.1 million, respectively; and (c) conference tour in Xishuangbanna and Changxing during 2022 in the amount of RMB1.5 million and RMB2.1 million, respectively. The above events were for, among other things, the promotion of our brand's awareness and foster brand loyalty among our distributors, during which we may announce our business plans such as upcoming IP programs or events and launch of new products; and (ii) payment to a service provider in the amount of RMB2.4 million and RMB1.9 million for 2020 and 2021, respectively, for the provision of trainings on our corporate culture, knowledge and theory of low-carb diet, the features, usage and ingredients of our products and how consumption of our products can be implemented to daily lives to maximize the effect thereof etc. For details, please refer to the section headed "Business – Marketing initiatives – Promotion and marketing activities".

4. Others mainly included our expenses in relation to the promotion and marketing of our brand and/or our products, such as fees to external service provider for the production of promotional videos and materials and planning of marketing activities. Such expenses increased in 2020 and 2021 mainly due to the expansion of our business scale and product offerings.

We recorded advertising and marketing expenses of RMB4.4 million, RMB41.5 million, RMB35.5 million and RMB17.6 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

Since the disposal of Kunshan Tingshe in May 2020, the marketing and promotion activities conducted by our Group have mainly focused on the promotion of our brand and products; whereas Kunshan Tingshe has mainly conducted marketing and promotion activities for the development of the distribution network. Such arrangement is in line with the respective roles and responsibilities of our Group and Kunshan Tingshe in respect of the sale of the Kunshan Tingshe Distributed Products, with our Group focusing on the development of products and Kunshan Tingshe being responsible for the development and day-to-day management of the distribution network. For details of the marketing and promotion activities and training activities respectively conducted by us and Kunshan Tingshe, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Roles and responsibilities of our Group, Kunshan Tingshe and Kunshan Jiameng" in this document.

For the year ended December 31, 2020, our advertising marketing expenses increased significantly by RMB37.1 million from RMB4.4 million in 2019 to RMB41.5 million in 2020. Such increase was mainly attributable to:

(i) increase in our expenses on TV sponsorship, advertisement and marketing activities from RMB1.4 million in 2019 to RMB14.1 million in 2020, primarily included (a) marketing fees to a marketing agency service provider (the "**Marketing Agency**") for the placement of TV advertisement and product placement of our *MODONG* coffee in a TV program on Zhejiang Satellite TV, namely *The Journey of Poetic Soul* (還有詩和遠方), in the amount of RMB9.4 million. For details of our cooperation with the Marketing Agency, please refer to the paragraph headed "– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses – Our cooperation with the Marketing Agency" in this section below; and (b) service fees paid to Kunshan Huaxing in the amount of RMB2.1 million for the operation of the *MODONG* health (魔胴健康) APP, which was used in a promotion campaign of the Group; and

(ii) increase in our expenses on events and trainings from RMB1.5 million in 2019 to RMB11.4 million in 2020 as a result of the significant increase in the number of our distributors and sub-distributors, primarily attributable to (a) expenses on the hosting of our annual event in Ningbo in January 2020 in the amount of RMB5.5 million; (b) expenses on organizing a distributors' conference in Chengdu in August 2020 in the amount of RMB3.6 million; and (c) payment to a service provider in the amount of RMB2.4 million for the provision of trainings to our distributors.

Our advertising and marketing expenses decreased from RMB41.5 million in 2020 to RMB35.5 million in 2021, which was primarily due to (i) the decrease of our expenses on TV sponsorship, advertisement and marketing activities from RMB14.1 million in 2020 to RMB5.7 million in 2021; and (ii) the fact that we did not incur any concert sponsorship fees as we have not planned any concert in 2021. Such decrease was partially offset by (a) the increase in our expenses on events and trainings from RMB11.4 million in 2020 to RMB14.5 million in 2021 which was mainly attributable to our expenses incurred on the hosing of a four-day annual event held in Ocean Flower Island in April 2021, including expenses on transportation, venue, accommodation and stage production, in the amount of RMB7.0 million; and (b) the increase in expenses for providing trial samples and packaged gifts by RMB2.2 million for the promotion of our new retail business on various sales channels.

Our advertising and marketing expenses decreased significantly from RMB35.5 million in the year ended December 31, 2021 to RMB17.6 million in the year ended December 31, 2022 mainly attributable to (i) the decrease in our expenses on events and trainings by RMB10.2 million; and (ii) the decrease in expenses on trial samples and packaged gifts by RMB5.7 million as our offline marketing activities were materially affected by control measures imposed by the local government due to the Resurgence of the COVID-19 pandemic.

Our cooperation with the Marketing Agency

During the Track Record Period, we engaged the Marketing Agency for the placement of advertisements of our products primarily through TV channels. For the years ended December 31, 2020, 2021 and 2022, our advertising and marketing expenses attributable to the Marketing Agency amounted to RMB9.4 million, RMB2.2 million and RMB1.6 million, respectively. To the best knowledge and information of our Director, the Marketing Agency is a designated marketing agent of certain online media platforms and TV channels. Our Directors are of the view that it is a common market practice for media platforms and/or TV channels to appoint or designate one or more marketing agent(s) to arrange for placement and production of advertisements to be placed on their platforms or channels. Please also refer to the paragraph headed "– Description of certain key items of consolidated statement of financial position – Trade and other receivables – Other receivables – Deposits" in this section below for further discussion on the balance of our deposit to the Marketing Agency as of December 31, 2022.

Commissions

The following table sets forth the breakdown of commissions for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Commissions to Kunshan Tingshe				
Remaining Balance of the Fixed Mark-up				
– Service Fee to Li Ting[(1)]	3,290	17,957	12,913	7,389
– To cover other operating costs of Kunshan Tingshe[(1) (3)]	–	8,404	25,779	15,595
Additional Incentive Fee to Kunshan Tingshe[(2) (3)]	–	11,665	–	–
Sub-total	3,290	38,026	38,692	22,984
Commissions to other Distribution Agents	–	–	1,430	753
Commissions to celebrities and KOLs[(4)]	–	–	–	8,572
	3,290	38,026	40,122	32,309

Notes:

1. As mentioned in the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting", the Remaining Balance of the Fixed Mark-up was used to cover operating costs of Kunshan Tingshe including Service Fee to Li Ting.

2. It represented the sales incentives to Kunshan Tingshe. For details, please refer to the section headed " Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Additional incentive fees to Kunshan Tingshe".

3. Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe of RMB9.1 million and RMB9.9 million for 2019 and the five months ended May 31, 2020 respectively; and Additional Incentive Fee to Kunshan Tingshe of RMB7.8 million for the five months ended May 31, 2020 were fully eliminated in our consolidated financial statements. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing Arrangement and Discounts, Incentives and Fees in relation to the Sales of Kunshan Tingshe Distributed Products".

4. Represented commissions to celebrities and/or KOLs for promotion of (i) the sales of our products on our *Douyin* stores; and (ii) the sales of other products on our *Douyin* account. For details, please refer to the section headed "Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels" in this document".

The significant increase in commission expense from RMB3.3 million in 2019 to RMB38.0 million in 2020 was primarily due to the fact that: (i) the Service Fee to Li Ting increased from RMB3.3 million in 2019 to RMB18.0 million in 2020 as a result of the increase in sales volume of *MODONG* coffee; (ii) the sales incentive scheme with Kunshan Tingshe since 2020 to further motivate Kunshan Tingshe for the sales of *MODONG* coffee, leading to Additional Incentive Fee to Kunshan Tingshe of RMB11.7 million; and (iii) Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe as expense of RMB8.4 million since the disposal of Kunshan Tingshe in May 2020.

Our commission expense further increased from RMB38.0 million from 2020 to RMB40.1 million in 2021, primarily due to the increase in the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe by RMB17.4 million in 2021 as compared to that of 2020. The increase in the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe was mainly attributable to (i) the decrease in the sale of the *MODONG* coffee in 2021, which resulted in decrease in the discounts and incentives to distributors and the sales volume based fees to the Selected Distributors; and (ii) the amounts of the Remaining Balance of Mark-up incurred prior to our disposal of Kunshan Tingshe in 2020 had been eliminated in our consolidated financial statements for the year ended December 31, 2020, which was partially offset by (i) the decrease in the Service Fee to Li Ting by RMB5.0 million resulted from the decrease in the sale of *MODONG* coffee; and (ii) the decrease in Additional Incentive Fee to Kunshan Tingshe by RMB11.7 million as the sale of *MODONG* coffee for the year ended December 31, 2021 did not meet our prescribed target.

Our commission expenses decreased from RMB40.1 million for the year ended December 31, 2021 to RMB32.3 million for the year ended December 31, 2022 mainly due to the decrease in the sale of the Kunshan Tingshe Distributed Products resulted from the Resurgence of COVID-19 pandemic in the PRC during the year ended December 31, 2022, in particular in the first half of 2022. The decrease in our commission to Kunshan Tingshe during the year ended December 31, 2022 was partially offset by our commission to celebrities and KOLs for promotion of the sale of our products through online platforms, which is in line with the growth in our revenue from the new retail business attributable to sale through other e-commerce channels during the year ended December 31, 2022. For details, please refer to "Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels" in this document.

Pursuant to our agreement with Kunshan Tingshe, Kunshan Tingshe shall sell our products to the distributors at a price equals to our selling price to Kunshan Tingshe plus the Fixed Mark-up and the Fixed Mark-up is intended to cover certain volume discounts, incentives and sales volume based fees to the Selected Distributors, Service Fees to Li Ting and other operating costs of Kunshan Tingshe. For details of the pricing arrangement in respect of the Kunshan Tingshe Distributed Products, please refer to the section headed "Distribution arrangement with

Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products" in this document.

Accordingly, assuming that other factors remain constant, in the event of a decrease in volume discounts and incentives to distributors, sales volume based fees to the Selected Distributors and/or Service Fees to Li Ting, which were directly associated with the sale of the Kunshan Tingshe Distributed Products, the portion of the Fixed Mark-up to cover the other operating costs of Kunshan Tingshe will increase. As confirmed by the Company, such mechanism was established with the aim to provide additional funding to Kunshan Tingshe for sale and marketing activities in the event of a decrease in the sale of Kunshan Tingshe Distributed Products.

General and administrative expenses

The table below sets forth a breakdown of the components of our general and administrative expenses for the years indicated:

	Year ended December 31,							
	2019		2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Legal and professional fees	1,179	11.4	5,671	18.0	9,381	14.4	6,113	9.5
Employee benefit expenses	4,870	47.1	12,824	40.6	27,762	42.7	32,176	50.2
Rental expenses for short-term leases	304	2.9	396	1.3	538	0.8	959	1.5
Traveling and entertainment expenses	1,451	14.0	1,525	4.8	3,075	4.7	2,405	3.8
Depreciation of right-of-use assets	436	4.2	955	3.0	1,121	1.7	2,608	4.1
Office expenses	549	5.3	2,623	8.3	2,255	3.5	2,495	3.9
Depreciation of property, plant and equipment	59	0.6	539	1.7	1,504	2.3	3,502	5.5
Donations	–	–	1,494	4.7	–	–	500	0.8
[REDACTED] expenses	–	–	2,893	9.2	15,535	23.9	10,059	15.7
Others	1,482	14.5	2,643	8.4	3,920	6.0	3,277	5.0
Total	10,330	100.0	31,563	100.0	65,091	100.0	64,094	100.0

Our general and administrative expenses primarily consisted of:

- *legal and professional fees*, which mainly consisted of fees for legal and compliance services, consultancy services and other professional services, details of which were set out in the paragraph headed "– Legal and professional fees" below;

- *employee benefit expenses*, which mainly consisted of wages, social security costs, housing benefits and compensation expenses for our administrative staff;

- *traveling and entertainment expenses*, which mainly consisted of disbursement incurred during our daily operation in an administrative aspect;

- *depreciation of right-of-use assets*, which mainly consisted of depreciation of our property leases;

- *depreciation of property, plant and equipment*, which mainly consisted of depreciation of our land and buildings and leasehold improvements;

- **[REDACTED]** *expenses*, which mainly consisted of professional fees and other fees incurred in connection with the **[REDACTED]**; and

- *others*, which mainly consisted of miscellaneous and administrative expenses.

For the years ended December 31, 2019, 2020, 2021 and 2022, our general and administrative expenses amounted to RMB10.3 million, RMB31.6 million, RMB65.1 million and RMB64.1 million, which accounted for 11.9%, 6.9%, 17.8% and 18.6% of our total revenue for the same periods, respectively. The increase in our general and administrative expenses during the Track Record Period was primarily due to the increase of employee benefit expenses and legal and professional fees which illustrate our continuous support and enhancement on the expansion of IP portfolio and our business growth. As a result of our historical results of operations, and in light of the significant growth of our operational scale, we consider it is necessary to devote additional efforts to expand our workforce and strengthen our corporate governance. Therefore, we recorded a general increase in our general and administrative expenses during the Track Record Period.

Legal and professional fees

Our legal and professional fees amounted to RMB1.2 million, RMB5.7 million, RMB9.4 million and RMB6.1 million for the year ended December 31, 2019, 2020, 2021 and 2022, respectively. We recorded an increasing trend in our legal and professional fees for the three years ended December 31, 2021, which was in line with our business growth. Such increase was mainly attributable to the increase in our expenses on (i) IP registration and related legal services following the expansion of our IP portfolio, including IPs of *ChouMate*, *Dr.mg*, *Chaxiaojie* as well as our IP programs; and (ii) audit, assurance and tax advisory services as well as financial and management reporting advisory services in connection with our preparation for the **[REDACTED]**.

Set forth below is the breakdown of our legal and professional fees for the years indicated:

	For the year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Legal and compliance services				
Litigation and related legal services[1]	100	693	1,683	878
IP registration and related legal services	163	3,310	2,534	2,063
Company secretary and other legal and compliance services	65	417	999	457
	328	**4,420**	**5,216**	**3,398**
Professional services				
Audit, assurance and tax advisory[2]	13	602	964	734
Valuation[3]	36	250	272	–
Design and brand building advisory	568	304	150	–
IT system related services	226	–	193	–
	843	**1,156**	**1,579**	**734**
Consultancy services				
Financial and management reporting advisory[4]	–	–	2,215	386
Business consultancy[5]	–	–	210	1,529
	–	**–**	**2,425**	**1,915**
Others[6]	**8**	**95**	**161**	**66**
Total	**1,179**	**5,671**	**9,381**	**6,113**

Notes:

(1) Our expenses on litigation and related legal services during the Track Record Period was mainly related to the litigation with our ex-marketing agency and legal proceedings relating to counterfeit products and our IPs.

(2) Mainly represented professional service fees payable to audit firms and tax advisory service providers in respect of our preparation of the statutory financial statements of our subsidiaries in the PRC and Hong Kong.

(3) Mainly represented service fees for valuation services in connection with the Reorganization.

(4) Represented our fees paid to an consultant for advisory services in relation to the financial and management reporting of our Group for the preparation of the **[REDACTED]**.

(5) We recorded an increase in the professional fees for business consultancy services for the year ended December 31, 2022, which was mainly attributable to the consultancy services for the business development relating to metaverse.

(6) Others mainly represented fees to services providers for, among other things, services related to product development and office management with a relatively insignificant transaction amounts.

Other income

The following table sets forth our other income for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Forfeited deposit	–	1,600	–	–
Government grants	123	1	116	16,471
Additional deduction of input VAT	28	91	118	289
Others	–	–	–	5,084
Total	151	1,692	234	21,844

Forfeited deposit

In June 2018 and March 2019, an Independent Third Party placed an initial deposit with us, intending to co-invest in the Ningbo Superstar Performance Mega Night which held in January 2020. However, given significant uncertainties brought by the COVID-19 outbreak and its further development as a global pandemic, the investor decided not to honor its contractual obligation to continue its investment, and we therefore confiscated its deposit by exercising our contractual right after the defaulted investor ceased its investment. As a result, we recorded forfeited deposit of RMB1.6 million as other income for the year ended December 31, 2020.

Government grants

Governments grants of RMB16.5 million for the year ended December 31, 2022 primarily comprised (i) the financial subsidies received from the Department of Finance in Kunshan for the efforts of maintaining stability of employees and business during the pandemic; and (ii) one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone. These grants are recognized as income upon receipt.

Others

Our other income during the year ended December 31, 2022 mainly represented the income from our promotion activities. To stimulate the order demand of our new retail business, we organized a promotion activity in February and March 2022, where distributors who ordered a large amount of our products would receive a smartphone as incentive. The smartphones have been treated as a separate performance obligation where income has been allocated based on their relative standalone selling price estimated using observable market information. We recognized other expenses of RMB5.8 million for the year ended December 31, 2022, being the purchase costs of the smartphones for the abovementioned promotion activity.

Other gains/(losses), net

The following table sets forth our other gains/(losses), net for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Settlement of *J-Style Trip* season one's investment	–	9,400	–	–
Net foreign exchange gains/(losses)	–	34	3,558	(9,855)
Fair value change on financial assets at FVPL	–	–	435	–
Gains on disposal of subsidiaries	–	829	–	–
Losses on deregistration of a subsidiary	–	–	(54)	–
Others	(114)	(9)	17	302
Other gains/(losses) – net	(114)	10,254	3,956	(9,553)

We recorded other losses of RMB114,000 and RMB9.6 million for the year ended December 31, 2019 and 2022, respectively and other gains of RMB10.3 million and RMB4.0 million for the year ended December 31, 2020 and 2021, respectively.

For the year ended December 31, 2020, we recorded a settlement sum of RMB9.4 million, in connection with the investment made by an investor, who is an Independent Third Party, in connection with the *J-Style Trip* season one. The investor initially entered into an investment agreement in March 2018 with us to invest RMB21.4 million into *J-Style Trip* season one and the investment fund of RMB21.4 million received from the investor were recorded as other payable as of December 31, 2019. In April 2020, in view of the uncertainty in the investment return of the program due to the outbreak of COVID-19, the investor and the Group agreed to early terminate the agreement with RMB12.0 million as the final settlement. The difference between funding receipt and settlement payment amounting to RMB9.4 million was recognized accordingly during the year ended December 31, 2020.

We recorded other gains of RMB4.0 million for the year ended December 31, 2021, comprising (i) net foreign exchange gains of RMB3.6 million mainly arising from cash denominated in RMB of our Hong Kong subsidiaries; and (ii) fair value gains of RMB435,000 in connection with the wealth management products that we purchased during the relevant period.

We recorded other loss of RMB9.6 million for the year ended December 31, 2022, which was primarily attributable to our net foreign exchange losses of RMB9.9 million mainly due to the exchange loss arising from the bank balance held by the offshore subsidiaries which was denominated in RMB as a result of the depreciation of RMB against HK dollars during the period, which was denominated in HK dollars, as a result of the devaluation of RMB to HK dollars during the relevant period.

Fair value change on financial assets at FVPL

During the year ended December 31, 2021, we acquired financial assets at FVPL in the amount of RMB80.0 million. Such financial assets at FVPL comprised certain wealth management products with floating returns from state-owned or reputable national banks in the PRC denominated in RMB and redeemable within three months. As the wealth management products have been redeemed during the year ended December 31, 2021, we did not record any financial assets at FVPL as at December 31, 2021. During the year ended December 31, 2021, we recorded other gain from the change in fair value of financial assets at FVPL of RMB435,000.

As part of our treasury management policy, we have purchased wealth management products as a mean to better utilize of our cash on hand on a short-term basis. We have established a set of investment policies and internal control measures to safeguard our exposure to investment risks in connection with the purchase of wealth management products. These policies and measures include:

- the types of investments shall generally be low risk wealth management products including fixed deposits and investments with fixed investment amounts and/or guaranteed returns;
- our investments in wealth management products shall be authorized and approved by Mr. Lai, our executive Director and chief financial officer, who has over 30 years of working experience in accounting and financial advisory. For details of the experience of Mr. Lai, please refer to the section headed "Directors and senior management" in this document;
- investments shall only be made when we have surplus cash that is not required for short-term working capital purposes;
- we shall only purchase wealth management products issued by creditworthy commercial banks and/or other qualified financial institution; and
- our finance department is responsible for ensuring that the wealth management products are properly recorded in our financial statements and monitoring the performance of our wealth management products. Any significant or adverse fluctuation in the wealth management products shall be reported to our management in a timely manner.

Any proposed investment in wealth management products which are not made in accordance with our treasury policy shall be subject to the approval of our Board.

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

Operating profit

Our operating profit was RMB32.0 million, RMB113.8 million, RMB73.6 million and RMB92.0 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

Finance income/(costs), net

The following table sets forth our finance income, finance costs and net finance income/(costs) for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Finance income:				
Interest income on time deposits	–	–	58	–
Interest income on bank deposits	62	479	1,248	2,443
Subtotal	62	479	1,306	2,443
Finance costs:				
Interest expense on lease liabilities	(222)	(444)	(224)	(305)
Interest expense on bank borrowings	–	–	(1,245)	(1,035)
Interest expense on loan from a third party *(note 1)*	–	–	(840)	–
Interest expense on financial instrument with redemption rights *(note 2)*	–	–	(7,939)	–
Subtotal	(222)	(444)	(10,248)	(1,340)
Finance income/(costs) – net	(160)	35	(8,942)	1,103

Notes:

1. On May 24, 2021, the Group entered into a six-months loan agreement with an Independent Third Party to obtain a loan with maturity amount of RMB14 million and fixed interest rate of 12% per annum. In August 2021, the loan was fully settled by the Group.

2. Represented the imputed interest expenses arising from the financial instrument with redemption rights in connection with our **[REDACTED]** investments. As the relevant interest expenses have been fully recognized to unwind the financial instrument to its redemption amount of HK$200.0 million (equivalent to RMB163.5 million as at December 31, 2021) and has been fully reflected as current liability in our balance sheet as at December 31, 2021, no additional interest expense was incurred in relation to the financial instrument in 2022.

Our finance income was primarily generated from interest income on bank deposits and our finance costs mainly comprised interest expenses arising from our lease liabilities, bank borrowings, loan from a third party and financial instrument with redemption rights. We recorded net finance costs for the year ended December 31, 2019 and 2021 of RMB160,000 and RMB8.9 million, respectively. For the year ended December 31, 2020, we recorded net finance income of RMB35,000.

We recorded a significant increase in net finance costs for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to: (i) the recognition of the financial instrument with redemption rights of RMB158.2 million in connection with the **[REDACTED]** Investments, of which interest expenses of RMB7.9 million has been incurred; (ii) the facilitation of staff accommodation and purchase of office building, necessitating the obtainment of a mortgage of RMB25.0 million, of which interest expenses of RMB1.2 million has been incurred; and (iii) interest expenses of RMB0.8 million because of borrowing from a third party.

During the year ended December 31, 2022, we recorded net finance income of RMB1.1 million, which was mainly due to the fact that we did not incur any interest expense on financial instrument with redemption rights during 2022.

Income tax expense

The following table sets forth our current income tax and deferred income tax for the years indicated:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Current income tax				
– PRC corporate income tax	12,611	43,661	15,303	23,662
– Hong Kong profits tax	–	–	7,724	5,733
	12,611	43,661	23,027	29,395
Deferred income tax				
– PRC corporate income tax	(3,490)	(3,238)	(3,475)	(1,158)
– Hong Kong profits tax	–	(2,213)	2,209	3
	(3,490)	(5,451)	(1,266)	(1,155)
Total	9,121	38,210	21,761	28,240

Our income tax expense primarily consisted of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under the relevant laws and regulations in China and Hong Kong. For the years ended December 31, 2019, 2020 and 2021, our income tax expense was RMB9.1 million, RMB38.2 million and RMB21.8 million, respectively. Our income tax expense increased significantly from 2019 to 2020 primarily due to the growth of our profit before income tax, the amount of non-deductible expenses incurred and unutilized tax loss with no deferred income tax assets recognized. Our income tax expense decreased from RMB38.2 million for 2020 to RMB21.8 million for 2021 mainly because of the decrease in our profit before income tax from RMB113.8 million for 2020 to RMB64.7 million for 2021. Our income tax expense increased from RMB21.8 million for the year ended December 31, 2021 to RMB28.2 million for the year ended December 31, 2022 mainly due to the increase in our profit before income tax. Our effective tax rate for the years ended December 31, 2019, 2020, 2021 and 2022, was 28.6%, 33.6%, 33.7% and 30.3%, respectively. Please refer to Note 10(e) to the Accountant's Report in Appendix I to this document for details.

Net profit and net profit margin

As a result of the foregoing, we recorded net profit of RMB22.7 million, RMB75.6 million, RMB42.9 million and RMB64.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing net profit margin of 26.2%, 16.6%, 11.7% and 18.9% of the same periods.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2022 compared with the year ended December 31, 2021

Revenue

Our revenue decrease by 5.8% from RMB365.3 million for the year ended December 31, 2021 to RMB344.2 million for the year ended December 31, 2022.

Revenue from new retail business

Our revenue generated from new retail business decreased by 20.3% from RMB301.4 million for the year ended December 31, 2021 to RMB240.1 million for the year ended December 31, 2022. Such decrease was mainly attributable to the decrease in the sale of our health management products from RMB275.3 million for the year ended December 31, 2021 to RMB216.0 million for the year ended December 31, 2022, primarily due to disruptions caused by the control measures imposed by the local government in respect of the Resurgence of COVID-19 pandemic. For further details, please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this document.

Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business increased by 62.7% from RMB64.0 million for the year ended December 31, 2021 to RMB104.1 million for the year ended December 31, 2022, primarily attributable to the increase in our revenue from (i) certain IP programs, including two World-Cup related music and variety programs, a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou, and an online music show centered around Mr. Jay Chou; and (ii) our celebrity management business in relation to our cooperation with Mr. Liu Keng-hung through Talent Planet. For details of our cooperation with Mr. Liu Keng-hung, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang" in this document.

Cost of revenue

Our cost of revenue decreased by 12.1% from RMB138.0 million for the year ended December 31, 2021 to RMB121.3 million for the year ended December 31, 2022, mainly due to (i) the decrease in our cost of goods sold by RMB9.9 million as a result of the decrease in the sale of our products under the new retail business; and (ii) the decrease in our cost of event planning and management services by RMB6.8 million because we incurred relatively higher cost in our IP program in 2021 which involved more celebrities.

Gross profit and gross profit margin

Our gross profit decreased by 2.0% from RMB227.4 million for the year ended December 31, 2021 to RMB222.8 million for the year ended December 31, 2022, primarily due to the decrease in the gross profit generated from our new retail business by RMB54.7 million, which was partially offset by the increase in our gross profit from the IP creation and operation business by RMB50.2 million. Our gross profit margin has increased from 62.2% for the year ended December 31, 2021 to 64.7% for the year ended December 31, 2022.

Gross profit and gross profit margin in new retail business

Our gross profit from the new retail business decreased by 26.7% from RMB205.5 million for the year ended December 31, 2021 to RMB150.7 million for the year ended December 31, 2022, primarily due to the decrease in the sale of our health management products and skincare products as a result of the control measures in relation to the Resurgence of the COVID-19 pandemic.

Gross profit margin of our new retail business decreased from 68.2% for the year ended December 31, 2021 to 62.8% for the year ended December 31, 2022, primarily attributable to (i) the decrease in gross profit margin of our health management products from 71.6% in 2021 to 64.9% in 2022 due to the decrease in revenue contribution of *MODONG* coffee which has a relatively higher gross profit margin than other health management products; and (ii) the decrease in the gross profit margin of our skincare products because we gave out certain skincare products as gifts in sale transactions during promotion and marketing activities which resulted in the decrease in the average price of our skincare products.

Gross profit and gross profit margin in IP creation and operation business

Our gross profit in IP creation and operation business increased by 229.2% from RMB21.9 million for the year ended December 31, 2021 to RMB72.1 million for the year ended December 31, 2022, primarily due to the increase in our revenue from IP content creation and management.

Gross profit margin in IP creation and operation business increased from 34.3% for the year ended December 31, 2021 to 69.3% for the year ended December 31, 2022, which was primarily attributable to (i) the increase in revenue contribution from licensing fee which has a comparatively higher gross profit margin; and (ii) our cooperation with Mr. Liu Keng-hung as our revenue from the relevant transaction was recognized after netting off, among other things, the fees payable to our business partners and the relevant operating costs, thereby resulting in a relatively higher gross profit margin.

Selling and marketing expenses

Our selling and marketing expenses decreased by 22.8% from RMB93.8 million for the year ended December 31, 2021 to RMB72.4 million for the year ended December 31, 2022. Such decrease was mainly attributable to the decrease in (i) our advertising and marketing expenses by RMB17.9 million as our offline marketing activities have been materially affected by control measures imposed by the local government due to the Resurgence of the COVID-19 pandemic; and (ii) commissions by RMB7.8 million due to the decrease in the sale of the Kunshan Tingshe Distributed Products.

General and administrative expenses

Our general and administrative expenses decreased slightly by 1.5% from RMB65.1 million for the year ended December 31, 2021 to RMB64.1 million for the year ended December 31, 2022, primarily due to (i) the decrease in legal and professional fees by RMB3.3 million mainly due to the decrease in our expenses on litigation and related legal services and financial and management reporting advisory services; and (ii) the decrease in **[REDACTED]** expenses by RMB5.5 million, which was partially offset by the increase in employee benefit expense by RMB4.4 million primarily attributable to the increase in the number of employees for our celebrity IP management business.

Other income

Our other income increased from RMB234,000 for the year ended December 31, 2021 to RMB21.8 million for the year ended December 31, 2022, mainly due to government grants of RMB16.5 million in relation to (i) financial subsidies from the local government for maintain stability of employees and business during the COVID-19 pandemic; and (ii) a one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone.

Other gains/(losses), net

For the year ended December 31, 2022, we recorded other loss of RMB9.6 million, as compared to other gains of RMB4.0 million for the year ended December 31, 2021, which was mainly attributable to the net foreign exchange losses of RMB9.9 million primarily arising from the bank balance held by our offshore subsidiaries which was denominated in RMB as a result of the devaluation of RMB against HK dollars during the period.

Operating profit

As a result of the foregoing, our operating profit increase by 25.1% from RMB73.6 million for the year ended December 31, 2021 to RMB92.0 million for the year ended December 31, 2022.

Finance income/(costs), net

For the year ended December 31, 2021, we recorded net finance costs of RMB8.9 million which was mainly attributable to our interest expense on financial instrument with redemption rights of RMB7.9 million. For the year ended December 31, 2022, we recorded net finance income of RMB1.1 million which as mainly due to the fact that we did not incur any interest expenses on financial instrument with redemption rights in 2022.

Income tax expense

Our income tax expense increase by 29.4% from RMB21.8 million for the year ended December 31, 2021 to RMB28.2 million for the year ended December 31, 2022, primarily due to the increase in our profit before income tax. Our effective tax rate decreased from 33.7% for 2021 to 30.3% for 2022, mainly due to increase in the proportion of profit subject to Hong Kong profit tax which has a lower tax rate than the PRC.

Net profit and net profit margin

As a result of the foregoing, our net profit increased by 51.3% from RMB42.9 million for the year ended December 31, 2021 to RMB64.9 million for the year ended December 31, 2022. Our net profit margin increased from 11.7% for the year ended December 31, 2021 to 18.9% for the year ended December 31, 2022.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) increased from RMB69.9 million for the year ended December 31, 2021 to RMB77.2 million for the year ended December 31, 2022 and our adjusted net profit margin (non-HKFRS measure) increased from 19.1% in 2021 to 22.4% in 2022.

Year Ended December 31, 2021 Compared with the Year Ended December 31, 2020

Revenue

Our total revenue decreased by 20.0% from RMB456.9 million for the year ended December 31, 2020 to RMB365.3 million for the year ended December 31, 2021.

Revenue from new retail business

Our revenue generated from new retail business decreased by 17.5% from RMB365.2 million for the year ended December 31, 2020 to RMB301.4 million for the year ended December 31, 2021. Such decrease was primarily because the sales performance of our *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020 and our sales returned back to a normal and sustainable level in 2021, after the cessation of material promotional effect of the airing of *J-Style Trip* season one since July 2020 and we reduced usage of Mr. Jay Chou-related IPs' empowerment throughout 2021, which was partially offset by sales generated from certain health management products that were newly launched in 2021, including *MODONG* herb beverage and *MODONG* probiotics lyophilized powder.

Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business decreased by 30.3% from RMB91.8 million for the year ended December 31, 2020 to RMB64.0 million for the year ended December 31, 2021, primarily attributable to completion of the broadcast of *J-Style Trip* season one in 2020 which was partially offset by services fees received by us in the planning and creation of, amongst others, *You Can Run But You Can't Hide* (既來之則樂之) and performances at a music events organized by a leading music streaming service provider in the PRC and variety shows that were streamed on various online platforms.

Cost of revenue

Our cost of revenue decreased by 38.4% from RMB224.2 million for the year ended December 31, 2020 to RMB138.0 million for the year ended December 31, 2021, primarily attributable to (i) the decrease in our cost of goods sold by RMB15.7 million as a result of the decline in revenue of our new retail business in 2021; and (ii) the fact that we did not incurred any costs of TV program rights in 2021, which was partially offset by the increase in our cost of event planning and management services arising from our planning and creation of a music talk show and performances at music events and variety shows in 2021.

Gross profit and gross profit margin

Our gross profit decreased by 2.3% from RMB232.8 million for the year ended December 31, 2020 to RMB227.4 million for the year ended December 31, 2021, primarily attributable to the decrease in gross profit generated from our new retail business in 2021, which was partially offset by the increase in gross profit from our IP creation and operations business. Our gross profit margin increased from 50.9% in 2020 to 62.2% in 2021, primarily due to the increase in the gross profit margin of our IP creation and operations business.

Gross profit and gross profit margin of new retail business

Gross profit of our new retail business decreased by 19.3% from RMB254.5 million in 2020 to RMB205.5 million in 2021, primarily because the sales performance of our *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020 and our sales returned back to a normal and sustainable level in 2021. The gross profit margin of our new retail business remained relatively stable at 69.7% and 68.2% in 2020 and 2021, respectively.

Gross profit and gross profit margin of IP creation and operation business

We recorded a gross profit from IP creation and operation business of RMB21.9 million for the year ended December 31, 2021, as compared to a gross loss of RMB21.7 million for the year ended December 31, 2020 resulted from the cancellation of a number of advertisements due to COVID-19 pandemic at the time when *J-Style Trip* season one was aired. We recorded a gross profit margin of 34.3% for the year ended December 31, 2021 mainly due to the improvement in our gross profit margin from IP content creation and management business.

Selling and marketing expenses

Our selling and marketing expenses slightly decreased by 1.2% from RMB94.9 million from 2020 to RMB93.8 million in 2021. Such decrease was primarily resulted from the decrease in our advertising and marketing expenses by RMB6.1 million, attributable to the decrease in expenses in (i) TV sponsorship, advertisement and marketing; and (ii) concert sponsorship fees as we did not create any TV program or provide planning services to concerts in 2021. The decrease in advertising and marketing expenses was partially offset by the increase in our employee benefit expenses of RMB4.2 million.

General and administrative expenses

Our general and administrative expenses increased by 106.0% from RMB31.6 million for the year ended December 31, 2020 to RMB65.1 million for the year ended December 31, 2021. Such increase was mainly attributable to the increase of employee benefit expenses, **[REDACTED]** expenses and legal and professional fees by RMB14.9 million, RMB12.6 million and RMB3.7 million, respectively, as compared to the relevant expenses in the year ended December 31, 2020.

Other income

Our other income decreased from RMB1.7 million for the year ended December 31, 2020 to RMB234,000 for the year ended December 31, 2021 primarily due to the forfeited deposit recognized in 2020. Please refer to the paragraph headed "– Year ended December 31, 2020 compared with the year ended December 31, 2019 – Other income" below.

Other gains/(losses)

We recorded other gains of RMB4.0 million for the year ended December 31, 2021, as compared to other gains of RMB10.3 million for the year ended December 31, 2020. Our other gains in 2021 was mainly attributable to net foreign exchange gains of RMB3.6 million, and the decrease in other gains in 2021 was mainly due to the fact that we recognized settlement of *J-Style Trip* season one's investment of RMB9.4 million in 2020.

Operating profit

As a result of the foregoing, our operating profit decreased from RMB113.8 million in 2020 to RMB73.6 million in 2021.

Finance income/(costs), net

We recorded net finance costs of RMB8.9 million for the year ended December 31, 2021, as compared to a net finance income of RMB35,000 for the year ended December 31, 2020. Our net finance costs in 2021 was mainly resulted from (i) interest expense on financial instrument with redemption rights of RMB7.9 million; and (ii) interest expense on bank borrowings of RMB1.2 million.

Income tax expense

Our income tax expense decreased from RMB38.2 million for the year ended December 31, 2020 to RMB21.8 million for the year ended December 31, 2021, primarily attributable to the decrease in our profit before income tax. Our effective tax rate remained relatively stable at 33.6% and 33.7% in the year ended December 31, 2020 and 2021, respectively.

Net profit and net profit margin

As a result of the foregoing, our net profit decreased by 43.3% from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021. Our net profit margin decreased from 16.6% in 2020 to 11.7% in 2021.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) decreased by 13.0% from RMB80.4 million for the year ended December 31, 2020 to RMB69.9 million for the year ended December 31, 2021 and our adjusted net profit margin (non-HKFRS measure) increased from 17.6% in 2020 to 19.1% in 2021.

Year ended December 31, 2020 compared with the year ended December 31, 2019

Revenue

Our total revenue increased by 427.6% from RMB86.6 million in 2019 to RMB456.9 million in 2020, primarily attributable to the increase of sales of *MODONG* coffee and revenue generated from *J-Style Trip* season one which was aired from March to June 2020.

Revenue from new retail business

Our revenue generated from new retail business significantly increased from RMB80.8 million in 2019 to RMB365.2 million in 2020. The increase in our revenues generated from the new retail business was primarily attributable to the significant increase in the sales of *MODONG* coffee from RMB71.9 million in 2019 to RMB332.9 million in 2020 as a result of the promotion of such products along with the airing of *J-Style Trip* season one from March to June 2020. In addition, the introduction of our new product *Molitone* prebiotic gummy in April 2020 also contributed to the increase of our revenues. It is also noted that with the airing of *J-Style Trip* season one in March 2020 on various viewing platforms such as Zhejiang Satellite TV and Netflix, less operational and marketing resources was needed to be placed into *MODONG* coffee given the sales volume was directly empowered by our proprietary celebrity IPs and IP-oriented reality shows and programs, such as placing advertisement and product placement in TV program. As a result, we were able to divert our resources into the marketing of *LA DEW* Skincare series, and this resulted in an increase in the sales revenue of *LA DEW* Skincare series in 2020 from RMB3.5 million to RMB20.4 million.

Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business increased from RMB5.8 million in 2019 to RMB91.8 million in 2020. The increase in our revenues generated from this sector was primarily attributable to the licensing fee and advertising income of RMB81.6 million generated from the airing of *J-Style Trip* season one from March to June 2020.

Cost of revenue

Our cost of revenue increased by 647.3% from RMB30.0 million in 2019 to RMB224.2 million in 2020, which was primarily attributable to (i) the increase of cost of goods sold of RMB24.2 million for 2019 to RMB102.2 million for 2020 as a result of the increase in sales of *MODONG* coffee; and (ii) the recognition of cost of TV program rights of RMB106.0 million in relation to *J-Style Trip* season one which was aired from March to June 2020.

Gross profit and gross profit margin

Our gross profit increased significantly by 311.3% from RMB56.6 million in 2019 to RMB232.8 million in 2020, primarily due to the increase in the sales of *MODONG* coffee, which was officially launched in nationwide in April 2019. Gross profit margin decreased from 65.4%

in 2019 to 50.9% in 2020, primarily due to the gross loss incurred for *J-Style Trip* season one which was aired from March to June 2020.

Gross profit and gross profit margin in new retail business

Gross profit in new retail business increased significantly from RMB55.1 million in 2019 to RMB254.5 million in 2020, primarily attributable to (i) the increase in gross profit of health management products from RMB51.1 million in 2019 to RMB242.2 million in 2020; and (ii) the increase in gross profit of RMB1.4 million in 2019 to RMB14.4 million in 2020 from skincare products.

Gross profit margin in new retail business slightly increased from 68.2% for 2019 to 69.7% for 2020, primarily attributable to an increase in the proportion of sales from *MODONG* coffee and *Molitone* prebiotic gummy, which has higher gross profit margin compared with other products, and the increase in gross profit margin on skincare products from 41.3% in 2019 to 70.4% in 2020.

Gross profit and gross profit margin in IP creation and operation business

For IP creation and operation business, we recorded a gross profit of RMB1.5 million in 2019 and incurred a gross loss of RMB21.7 million in 2020, primarily due to a gross loss of RMB24.6 million incurred by *J-Style Trip* season one which aired from March to June 2020, given the cancellation of a number of advertisements in the show as a result of the general negative impact of COVID-19.

Selling and marketing expenses

Our selling and marketing expenses significantly increased by 559.0% from RMB14.4 million in 2019 to RMB94.9 million in 2020, primarily attributable to: (i) the significant increase in advertising and marketing expenses from RMB4.4 million in 2019 to RMB41.5 million in 2020 due to the significant increase in advertisement and promotional activities, primarily due to an amount of RMB9.4 million for sponsoring a TV program on Zhejiang Satellite TV; an amount of RMB7.2 million for giving out trial samples and packaged gifts; an amount of RMB9.1 million for hosting our annual event in Ningbo and conference tour in Chengdu during 2020, and an amount of RMB3.5 million concert sponsorship fees for Ningbo Superstar Performance Mega Night in January 2020, which was in line with our rapid sales growth of *MODONG* coffee; (ii) the increase in commissions expenses from RMB3.3 million in 2019 to RMB38.0 million in 2020, primarily due to the fact that (a) the Service Fee to Li Ting increased from RMB3.3 million in 2019 to RMB18.0 million in 2020 as a result of the increase in sales volume of *MODONG* coffee; (b) the sales incentive scheme with Kunshan Tingshe since 2020 to further motivate Kunshan Tingshe for the sales of *MODONG* coffee, leading to

Additional Incentive Fee to Kunshan Tingshe of RMB11.7 million[(1)], and (c) Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe as expense of RMB8.4 million since the disposal of Kunshan Tingshe in May 2020[(2)]; and (iii) the increase in employee benefit expenses from RMB4.0 million in 2019 to RMB10.7 million in 2020 due to an increase in the number of our sales and marketing staff and an increase in the salary level, and to support our expanded distribution network.

General and administrative expenses

Our general and administrative expenses increased by 206.8% from RMB10.3 million in 2019 to RMB31.6 million in 2020, primarily due to: (i) the increase in employee benefit expenses from RMB4.9 million in 2019 to RMB12.8 million in 2020 due to an increase in the number of our administrative staff, senior management headcount and an increase in the salary level to support our expanded distribution network; and (ii) the increase in legal and professional fees from RMB1.2 million in 2019 to RMB5.7 million in 2020 due to the increase in our payment to IP registration agents with an aim to expand our IP portfolio and business growth as well as litigation costs with an ex-marketing agency.

Other income

Our other income increased by 1,020.5% from RMB151,000 in 2019 to RMB1.7 million in 2020, mainly attributable to the exercise of our contractual right to confiscate the investor's deposit after it ceased its investment from the Ningbo Superstar Performance Mega Night, which was planned in January 2020.

Other gains/(losses), net

We recorded net other losses of RMB114,000 in 2019 and net other gains of RMB10.3 million in 2020, respectively. For 2020, the net other gains of RMB10.3 million consisted of (i) the settlement sum of RMB9.4 million in connection with the investment made by an investor, who is an Independent Third Party, in connection with the *J-Style Trip* season one. The investor initially entered into an investment agreement with us in March 2018 to invest RMB21.4 million in *J-Style Trip* season one and the investment fund of RMB21.4 million received from the investor were recorded as other payable as of December 31, 2019. In April 2020, in view of the uncertainty in the timing of the launch of the program due to the outbreak of COVID-19, the

Notes:

1. An amount of RMB7.8 million for the five months ended May 31, 2020 was fully eliminated in our consolidated financial statements. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products".

2. Such expense of RMB9.1 million and RMB9.9 million for 2019 and the five months ended May 31, 2020 was fully eliminated in our consolidated financial statements. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products".

investor and the Group agreed to early terminate the agreement with RMB12.0 million as the final settlement. The difference between funding receipt and settlement payment amounting to RMB9.4 million was recognized accordingly for the year ended December 31, 2020; and (ii) the other gains of RMB854,000 consisted of RMB829,000 gains on the disposal of subsidiaries.

Operating profit

As a result of the foregoing, our operating profit increased significantly from RMB32.0 million in 2019 to RMB113.8 million in 2020.

Finance income/(costs), net

We recorded net finance costs which amounted to RMB160,000 in 2019, and we recorded net finance income of RMB35,000 in 2020.

Income tax expense

Our income tax expense increased significantly from RMB9.1 million in 2019 to RMB38.2 million in 2020 due to the growth of our profit before income tax. Our effective tax rate increased from 28.6% in 2019 to 33.6% in 2020, primarily due to the increase in expenses not deductible for taxation purpose and tax losses not recognized for deferred income tax.

Net profit and net profit margin

As a result of the foregoing, our net profit increased from RMB22.7 million in 2019 to RMB75.6 million in 2020, and our net profit margin decrease from 26.2% in 2019 to 16.6% in 2020.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) significantly increased from RMB22.7 million for the year ended December 31, 2019 to RMB80.4 million for the year ended December 31, 2020 and our adjusted net profit margin (non-HKFRS measure) decreased from 26.2% in 2019 to 17.6% in 2020.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Non-current assets				
Property, plant and equipment	1,314	3,247	58,975	69,086
Right-of-use assets	2,469	2,786	3,893	1,878
Intangible assets	10	80	625	3,878
Deferred income tax assets	3,650	3,965	3,031	4,186
Trade and other receivables	–	2,421	–	–
Other non-current assets	1,891	54,511	50,416	59,638
Total non-current assets	**9,334**	**67,010**	**116,940**	**138,666**
Current assets				
Inventories	15,510	24,107	24,490	28,828
TV program rights	77,247	–	13,594	89,602
Trade and other receivables	39,617	71,760	52,538	62,066
Prepayment and other current assets	16,601	31,278	53,677	53,070
Restricted bank deposits	–	11,008	–	–
Cash and cash equivalents	29,298	120,962	211,873	182,633
Total current assets	**178,273**	**259,115**	**356,172**	**416,199**
Total assets	**187,607**	**326,125**	**473,112**	**554,865**

	As of December 31,			
	2019	2020	2021	2022
	(in RMB thousands)			
Current liabilities				
Trade and other payables	130,975	79,314	45,576	69,010
Contract liabilities	12,850	64,533	59,308	31,385
Current income tax liabilities	14,932	42,076	15,153	24,575
Lease liabilities	1,013	1,573	3,281	1,872
Financial instrument with redemption rights	–	–	163,520	178,654
Borrowings	–	–	5,000	5,000
Total current liabilities	**159,770**	**187,496**	**291,838**	**310,496**
Non-current liabilities				
Lease liabilities	1,484	1,409	1,035	220
Contract liabilities	686	–	45	38
Deferred income tax liabilities	–	2,200	–	–
Borrowings	–	–	15,000	10,000
Total non-current liabilities	**2,170**	**3,609**	**16,080**	**10,258**
Total liabilities	**161,940**	**191,105**	**307,918**	**320,754**
Equity attributable to owners of the Company	26,529	138,309	169,221	233,542
Non-controlling interests	(862)	(3,289)	(4,027)	569
Total equity	**25,667**	**135,020**	**165,194**	**234,111**
Total equity and liabilities	**187,607**	**326,125**	**473,112**	**554,865**

Property, plant and equipment

Our property, plant and equipment mainly comprised building, furniture, fixture and equipment and leasehold improvements. As at December 31, 2019, 2020, 2021 and 2022, the carrying amounts of our property, plant and equipment amounted to RMB1.3 million, RMB3.2 million, RMB59.0 million and RMB69.1 million, respectively.

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

	As at December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Computers	245	506	450	759
Furniture, fixture and equipment	1,069	1,235	2,115	2,948
Leasehold improvements	–	1,506	1,375	10,330
Land and buildings	–	–	55,035	55,049
Total	1,314	3,247	58,975	69,086

Our property, plant and equipment increased from RMB1.3 million as of December 31, 2019 to RMB3.2 million as of December 31, 2020, primarily due to additions of leasehold improvements of RMB1.8 million resulting from the expansion of our office premises and warehouses.

Our property, plant and equipment further increased from RMB3.2 million as of December 31, 2020 to RMB59.0 million as of December 31, 2021. The increase was primarily resulted from the additions of building of RMB55.0 million in connection with completion and delivery of our staff quarter in 2021. For detailed of the properties acquired by us, please refer to the section headed "Business – Properties – Owned properties" in this document.

Our property, plant and equipment further increased from RMB59.0 million as of December 31, 2021 to RMB69.1 million as of December 31, 2022. The increase was primarily resulted from the additions of leasehold improvement in relation to our staff quarter.

Right-of-use assets

During the Track Record Period, our right-of-use assets were mainly arising from the leases of our office premises. As of December 31, 2019, 2020, 2021 and 2022, our right-of-use assets were RMB2.5 million, RMB2.8 million, RMB3.9 million and RMB1.9 million, respectively. The increase in our right-of-use assets during the three years ended December 31, 2021 were primarily attributable to the entering of leases in respect of our offices in Beijing, Shanghai and Kunshan and our warehouses in view of the continuous expansion of our business scale. We recorded a decrease in right-of-use assets as of December 31, 2022 mainly attributable to depreciation of our right-of-use assets and early termination of one of our leases.

Inventories

Our inventories comprised of raw and packaging materials and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Raw and packaging materials	682	3,967	6,137	5,140
Finished goods	14,828	23,169	27,571	23,688
	15,510	27,136	33,708	28,828
Less: provision for impairment	–	(3,029)	(9,218)	–
Total	15,510	24,107	24,490	28,828

Our inventories increased from RMB15.5 million as of December 31, 2019 to RMB24.1 million as of December 31, 2020, primarily due to (i) the new products such as *Chaxiaojie* and *Dr.mg* in preparation of launch; and (ii) raw materials required for production of skincare products.

Our inventories slightly increased from RMB24.1 million as of December 31, 2020 to RMB24.5 million as of December 31, 2021, mainly due to (i) the increase in the inventories of raw materials and finished goods under our skincare products; and (ii) the launch of various new health management products in the fourth quarter in 2021, including, the *MODONG* probiotics lyophilized powder and *MODONG* herb beverage, which were partially offset by the increase in provision for impairment over our inventories as of December 31, 2021.

We recorded an increase in inventories from RMB24.5 million as of December 31, 2021 to RMB28.8 million as of December 31, 2022 mainly due to increase in both raw materials and finished goods (before write-off of inventories RMB15.9 million) to cater for the expected demand for our products in early 2023.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			
	2019	2020	2021	2022
	(in RMB thousands)			
Within 30 days	4,272	5,682	8,895	5,921
31–60 days	631	2,482	1,139	1,448
61–180 days	1,516	7,981	3,260	10,833
181–365 days	5,182	325	5,414	3,480
Over 365 days	3,909	7,637	5,782	7,146
Total (after the provision for impairment)	15,510	24,107	24,490	28,828

Despite the increase in our inventory balance which aged over 180 days during the Track Record Period, we are of the view that sufficient provisions have been made in respect of our inventory balance. For further details, please refer to the below discussion on the turnover days and subsequent settlement of our inventories.

We recorded provision of impairment for inventories of RMB3.0 million and RMB9.2 million as of December 31, 2020, and 2021, respectively. There was a provision of impairment for inventories as of December 31, 2020 and 2021 primarily due to the impairment made for slow-moving products which were our non-core products. During 2022, we made provision for impairment of inventories for certain non-core products, including Maji Doggie and beauty treatment equipment and certain raw materials and finished goods of our health management and skincare products in the amount of RMB6.7 million. As at December 31, 2022, we did not record any provision for impairment for inventories as we had fully written-off the provision for impairment made in current and previous financial years on the basis that as we do not intend to conduct further sale of the relevant products. For details, please refer to the paragraph headed "– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories" in this section.

The following table sets forth our inventory turnover days for the Track Record Period:

	Year ended December 31,			
	2019	2020	2021	2022
	(days)			
Inventory turnover days(1)	180	76	128	149

Note:

(1) Inventory turnover days were calculated by dividing the average of the opening and closing inventories balance (before provision) by total cost of goods sold for the relevant year and multiplying by 365 days.

Our inventory turnover days was 180 days, 76 days, 128 days and 149 days for the year ended December 31, 2019, 2020, 2021 and 2022, respectively. The inventory turnover days decreased from 180 days for 2019 to 76 days for 2020, primarily due to the rapid growth of *MODONG* coffee which were outsourced to Hengmei Group for production with no raw material held by us and relatively low level of finished goods of *MODONG* coffee were stored at our warehouse given we could generally estimate the demand for *MODONG* coffee from distributors based on the prepayments made by distributors. Inventory turnover day further increased from 76 days for 2020 to 128 days for 2021, mainly due to the increase in inventories (before provision) from RMB27.1 million as of December 31, 2020 to RMB33.7 million as of December 31, 2021 as a result of (i) the increase in our inventories balance of skincare products and health management products that were newly launched in 2021; and (ii) increase in the average inventories balance of certain slow-moving products which were our non-core products. Our inventory turnover days further increased to 149 days for the year ended December 31, 2022 mainly due to the decrease in cost of goods sold as a result of the decline in revenue of our new retail business at a relatively larger degree than the decrease in our inventory balance. For details, please refer to the paragraph headed "– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories" in this section above."

As of March 31, 2023, RMB11.4 million, or 39.7%, of our inventories as of December 31, 2022 had been subsequently utilized.

Despite the relatively low inventory utilization rate in respect of our inventory balance as of December 31, 2022, our Directors are of the view that there is no material recoverability issue on the basis that (i) most of the types of our inventory of raw materials and packaging materials were consumed from time to time during 2022 and up to the Latest Practicable Date; (ii) we substantially sold our finished goods at prices higher than their costs during 2022 and up to the Latest Practicable Date; (iii) our contract liabilities for the sale of goods, mainly consist of prepayments made by our distributors for purchase of our products, amounted to RMB24.4 million as of December 31, 2022; (iv) we expect that a substantial portion of our inventories as at December 31, 2022 will be consumed in 2023 and 2024, particularly following the airing of our upcoming IP programs such as *J-Style Trip* season two and *Yue Lai Yue Kuai Le* (樂來樂快樂), which would empower our new retail business; and (v) we would arrange more marketing and promotion activities to boost up the sales of long aged inventories. We will closely monitor the utilization of our inventory from time to time to ensure that sufficient impairment has been provided for our inventories and/or adjust our plans for procurement of raw materials and finished goods accordingly.

TV program rights

We recorded TV program rights of RMB77.2 million, nil, RMB13.6 million and RMB89.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our TV program rights as of December 31, 2019 were arising from *J-Style Trip* season one which were fully amortized and recognized in our cost of revenue in during the period from March to June 2020 when *J-Style Trip* season one was aired. As of December 31, 2021 and 2022, we recorded TV program rights in the amount of RMB13.6 million and RMB89.6 million which was arising from *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two. As at the Latest Practicable Date, as both *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two were under production, our TV program rights as at December 31, 2022 had not been recognized in our cost of revenue. It is expected that *J-Style Trip* season two and *Yue Lai Yue Kuai Le* (樂來樂快樂) will be aired in the second half of 2023, and the relevant TV program rights would be recognized in our cost of revenue accordingly.

Our Directors assessed the net realizable amount of the TV program rights as at each balance sheet date in order to determine whether any impairment provision is required to be made. The net realizable amount is estimated by reference to the advertising and other related income to be generated from the broadcast of the TV program based on confirmed order and/or letter of intent received by our Group less cost of completion of the TV program. Based on our Directors' best estimate, as at each balance sheet date, the TV program rights are profit generating with income exceeding related production cost, indicating that the net realizable amount should exceed the carrying value of the relevant rights. Accordingly, no provision for impairment has been made.

Trade and other receivables

Trade receivables

Trade receivables are amounts due from customers for products sold or services performed by us in our ordinary course of business. The following table sets forth the details of our trade receivables as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Trade receivables				
Third parties	254	12,388	26,439	39,166
Related parties	–	28,708	38	38
	254	41,096	26,477	39,204
Less: provision for impairment	(2)	(932)	(400)	(1,134)
Total	252	40,164	26,077	38,070

Our total trade receivables after provision for impairment (including both current and non-current portion) was RMB252,000, RMB40.2 million, RMB26.1 million and RMB38.1 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our trade receivables as of December 31, 2019 and 2020 mainly arose from our IP creation and operation business as our customers of the new retail business were generally required to make advances to us for the products purchased by them. In 2021, we further expanded our product offerings and distribution channels of our products and we granted credit periods to some of the distributors under the general distribution model. For details of the terms the distribution agreements entered into between us and our distributors, please refer to the section headed "Business – Distribution network – General distribution model" in this document. Accordingly, we also recorded trade receivables balances arising from our new retail business as of December 31, 2021 and 2022.

Our trade receivables as of December 31, 2019 consisted primarily of a licensing fee due from a third party for the use of our proprietary celebrity IPs on souvenir by bank. Our trade receivables increased from RMB252,000 as of December 31, 2019 to RMB40.2 million as of December 31, 2020. This is primarily attributable to the amount payable to us from Netflix in connection with the broadcasting of *J-Style Trip* season one, and also from Beijing Master in connection with the airing of *J-Style Trip* season one on Zhejiang Satellite TV in March 2020. For further details regarding our license agreement with Netflix and Zhejiang Satellite TV, please refer to the section headed "Business – Our business – IP Creation and Operation – IP content creation and management – Media content creation" in this document.

Our trade receivables decreased from RMB40.2 million as of December 31, 2020 to RMB26.1 million as of December 31, 2021 primarily due to the substantial settlement of the trade receivable from Beijing Master in the amount of RMB27.4 million and Netflix in the amount of RMB10.2 million during 2021, which was partially offset by the amounts receivable from Customer D, being the distributor of, inter alias, our skincare products and products under *Dr. INYOU* brand under the general distribution model, in the amount of RMB13.5 million. For the years ended December 31, 2021 and 2022, our revenue attributable to Customer D amounted to RMB12.0 million and RMB4.5 million, respectively, and the gross profit margin attributable thereto was 64.1% and 50.7%, respectively.

Our trade receivables increased from RMB26.1 million as of December 31, 2021 to RMB38.1 million as of December 31, 2022, which was mainly attributable to our IP programs broadcasted in the fourth quarter of 2022, including (i) amounts receivable from Customer H Group of RMB14.2 million in relation to two World-Cup related music and variety programs; and (ii) amounts receivable from Customer C Group of RMB9.0 million in relation to an online music show centered around Mr. Jay Chou and a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou.

As of December 31, 2019, 2020, 2021 and 2022, we had made provision for impairment of trade receivables (including both current and non-current portion) of RMB2,000, RMB932,000 and RMB400,000 and RMB1.1 million, respectively.

The following table sets forth an aging analysis of our trade receivables, based on revenue recognition date, as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Within 30 days	–	26,115	23,909	27,802
31–90 days	–	210	1,127	10,161
91–120 days	254	3,301	179	768
121–365 days	–	11,470	1	473
Over 365 days	–	–	1,261	–
Total ***(before the provision for impairment)***	254	41,096	26,477	39,204

The typical credit period granted to our debtors is generally ranging from five days to two years.

During the Track Record Period, majority of our trade receivables balance were aged within 30 days. As of December 31, 2020 and 2021, we had an outstanding trade receivables balance of RMB11.5 million and RMB1.3 million, which were aged 121–365 days and over 365 days, respectively. The relevant amount represented the licensing fees receivable from Netflix for the arising of *J-Style Trip* season one, which was under a two-year scheduled payment term.

The following table sets forth our trade receivables turnover days during the Track Record Period:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(days)			
Average trade receivables turnover days				
– Overall(1)	28	17	34	35
– New Retail(2)	–	0(4)	11	16
– IP creation and operation(3)	412	81	142	79

Notes:

(1) Overall trade receivables turnover days equals the average of the opening and closing trade receivables (before provision) divided by total revenue for the relevant year and multiplied by 365 days.

(2) Trade receivables turnover days for new retail business equals the average of the opening and closing trade receivables (before provision) relating to new retail business divided by total revenue of new retail business for the relevant year and multiplied by 365 days.

(3) Trade receivables turnover days for IP creation and operation business equals the average of the opening and closing trade receivables (before provision) relating to IP creation and operation business divided by total revenue of IP creation and operation business for the relevant year and multiplied by 365 days.

(4) Figure represent insignificant amount.

Overall trade receivables turnover days

Our overall trade receivables turnover days decreased from 28 days for 2019 to 17 days for 2020, primarily due to the increase in (i) revenue from *MODONG* coffee which required our distributors to make prepayments in advance; and (ii) revenue for IP creation and operation business as a result of the airing of *J-Style Trip* season one from March to June 2020. The overall trade receivables turnover days increased from 17 days for the year ended December 31, 2020 to 34 days for the year ended December 31, 2021, primarily due to (i) the increase in receivable from a distributor of our new retail business with the balance of RMB13.5 million; and (ii) a longer settlement period granted to Netflix where we have agreed for two years scheduled payment term. Our overall trade receivables turnover days remained stable at 35 days for the year ended December 31, 2022.

Trade receivables turnover days for new retail business

Our trade receivables turnover days for new retail business were nil and 0[(1)] for the years ended December 31, 2019 and 2020, respectively, as we normally require our distributors to make prepayments in advance. Our trade receivables turnover days for new retail business increased to 11 days for 2021 primarily due to the increase in receivable from a distributor of our new retail business with the balance of RMB13.5 million. Our trade receivables turnover days for new retail business further increased to 16 days for 2022, primarily due to the decrease in revenue from new retail business as a result of the Resurgence where our business and operations had been negatively affected by the disruptions to the operation of our logistics and delivery service providers which had materially affected the delivery of our products to the distributors, sub-distributors or end consumers, which was partially offset by the impact of the significant decrease in the balance due from Customer D from RMB13.5 million as of December 31, 2021 to RMB1.0 million as of December 31, 2022.

Trade receivables turnover days for IP creation and operation business

Our trade receivables turnover days for IP creation and operation business decreased from 412 days for 2019 to 81 days for 2020, primarily due to the airing of *J-Style Trip* season one from March to June 2020 and settlement of the trade receivables relating to The Invincible in prior year. Our trade receivables turnover days for IP creation and operation business further increased from 81 days for 2020 to 142 days 2021, primarily due to a longer settlement period granted to Netflix where we have agreed for two years scheduled payment term. Our trade receivables turnover days for IP creation and operation business decreased from 142 days for 2021 to 79 days for 2022, primarily due to (i) the increase in our revenue from IP creation and operation business, particularly our revenue from our cooperation with Mr. Liu Keng-hung which had a relatively shorter credit period as compared to our other IP creation and operation projects; and (ii) the settlement of the balance due from Netflix where we have agreed for two years scheduled payment term.

As of March 31, 2023, RMB19.0 million, or 48.5%, of our trade receivables (before provision for impairment) as of December 31, 2022 had been subsequently settled.

Considering (i) the subsequent settlement of our trade receivables balance as of December 31, 2022 up to March 31, 2023; (ii) the fact that a substantial portion of our trade receivables balance as of December 31, 2022 was aged within 30 days based on revenue recognition date; and (iii) our trade receivable as at December 31, 2022 was mainly attributable to our customers with whom we have good business relationship or which are sizable corporation with good reputation and financial position. In particular, our trade receivable of RMB15.9 million and RMB9.0 million was attributable to Customer H Group and Customer C Group, respectively, both of which are companies with their holding companies listed on the Main Board of the Stock Exchange and hence the expected credit losses of these companies were considered to be relatively low. Thus, our Directors consider that there is no material risk of the recoverability of our trade receivables and the impairment provided for our trade receivables balance was sufficient.

Bill receivables

As of December 31, 2020, we recorded bill receivables of RMB2.0 million which was received from Beijing Master. As of December 31, 2022, we recorded bill receivables of RMB1.0 million received from one of our customers for settlement of amounts due to our Group.

Other receivables

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Amounts due from related parties	29,219	4,087	–	3
Deposits	6,230	463	895	12,443
Staff advances	553	1,020	50	200
Amounts due from a third party	–	26,758	25,702	–
Other receivables in respect of celebrity IP management business	–	–	–	10,145
Loan to third parties	3,135	3,035	–	–
Others	314	262	–	402
	39,451	35,625	26,647	23,193
Less: provision for impairment of other receivables	(86)	(3,608)	(186)	(197)
Total	39,365	32,017	26,461	22,996

Our other receivables (after provision for impairment) was RMB39.4 million, RMB32.0 million, RMB26.5 million and RMB23.0 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

Amounts due from related parties

For details about the receivables due from related parties, please refer to the paragraph headed "– Related party transactions and balances" in this section.

Deposits

Our deposits was RMB6.2 million, RMB463,000, RMB895,000 and RMB12.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our deposits as of December 31, 2019, 2020 and 2021 mainly represented potential co-investment deposits, rental deposit, sundries deposit, equipment deposit or utilities deposit with different services provided. We recorded deposits of RMB6.2 million as of December 31, 2019 which was primarily attributable to two lump sum of deposits of an equal amount of RMB3.0 million being placed into two companies as deposits for the potential co-investments. Such investment was subsequently terminated and the deposits were returned to us in 2021.

Our deposits as of December 31, 2022 mainly represented our deposits paid to the Marketing Agency in relation to a title sponsorship in *Yue Lai Yue Kuai Le* (樂來樂快樂), which is one of our upcoming IP programs currently planning to be jointly presented by our Group and a leading short video platform in the PRC (the "**Online Platform**"). We shall be responsible for the planning of and soliciting sponsorship for such program. Accordingly, in May 2022, we entered into a cooperation agreement with the agent of an online entertainment platform which is owned by a state-owned telecommunication service provider (the " **Investor**") for its investment in *Yue Lai Yue Kuai Le* (樂來樂快樂), including title sponsorship in the amount of RMB28.0 million and licensing fees of RMB14.5 million, which shall be payable to our Group by stages upon the broadcasting of such program. In order to expedite the cooperation with the Online Platform, we entered into an agreement with the Marketing Agency, being a designated advertising agent of the Online Platform, pursuant to which our Group have agreed to pay a total of RMB28.0 million for title sponsorship of *Yue Lai Yue Kuai Le* (樂來樂快樂) (out of which RMB11.2 million has been paid as deposits as of December 31, 2022) to the Marketing Agency. As at the Latest Practicable Date, we were in the course of producing *Yue Lai Yue Kuai Le* (樂來樂快樂), which is expected to launch in the second half of 2023, after which we will receive the investment amounts from the Investor (including its title sponsorship of RMB28.0 million from which we can recover our payment of RMB11.2 million deposit).

Amount due from a third party

As of December 31, 2020 and 2021, we recorded amounts due from a third party in the amounts of RMB26.8 million and RMB25.7 million, respectively. The balance represented the prepayments for the sale of the Kunshan Tingshe Distributed Products from distributors received by Kunshan Tingshe (through the Jointly-controlled Accounts) on behalf of us as our Distribution Agent, partially offset by a security deposit of RMB50.0 million paid to us from Kunshan Tingshe, which is yet to transfer to us from the Jointly-controlled Accounts to our account. For more details of our settlement arrangement with Kunshan Tingshe and the security deposit, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors" in this document.

Our amounts due from a third party decreased significantly from RMB25.7 million as of December 31, 2021 to nil as of December 31, 2022 mainly because we agreed with Kunshan Tingshe to accelerate the settlement arrangement in respect of the amounts in the Jointly-controlled Accounts in or around September 2022. In particular, we agreed with Kunshan Tingshe that, commencing from November 2022, Kunshan Tingshe shall transfer the amount payable to us in respect of the prepayment received from the distributors on the working day immediately following the date of such prepayment and Kunshan Tingshe would no longer be required to maintain with us the security deposit of RMB50.0 million. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors" in this document.

Other receivables in respect of celebrity IP management business

We recorded other receivables in respect of celebrity IP management business of RMB10.1 million as at December 31, 2022 in relation to our cooperation with Mr. Liu Keng-hung and the MCN Company. Such amount represented the amount receivable by our Group from brand owners or the MCN Company (as the case may be) to which Mr. Liu Keng-hung, W&V and/or the MCN Company are entitled to under the cooperation agreements entered into between our Group (through Talent Planet) with Mr. Liu Keng-hung and W&V. Please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" for further details on the cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V.

Loan to third parties

The balance mainly represented a loan to a third party of RMB3.1 million, RMB3.0 million, nil and nil as of December 31, 2019, 2020, 2021 and 2022 respectively. Such balance remained stable at RMB3.1 million and RMB3.0 million as of December 31, 2019 and 2020 respectively, and further decreased to nil as of December 31, 2021 as we fully wrote off the balance during 2021.

According to the General Lending Provisions (《貸款通則》) promulgated by the People's Bank of China ("**PBoC**") in 1996 (the "**General Lending Provisions**"), financing arrangements or money lending between non-financial institutions are prohibited. The PBoC may impose on the non-compliant lender a fine equivalent to one to five times of the income generated (being interests charged) from loan advancing activities between the enterprises. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), last amended in December 2020 (the "**Private Lending Provisions**"), in which the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as, among other, the enterprises entered into a loan agreement and the interest rates charged do not exceed four times of the quoted interest rate within one year of the loan agreement. In addition, the Private Lending Provisions and Civil Code of the PRC (《中華人民共和國民法典》) set out situations that allow the People's Court to void a loan agreement. As confirmed by our Directors, the above-mentioned loan to third parties did not generate any interest income.

As advised by our PRC Legal Advisors and our Directors, given the loan did not incur any interest income and the loan arrangement will be generally recognized by the court of the PRC, the risk of us being penalized by the PBoC is remote.

Provision for impairment of other receivables

Our provision for impairment of other receivables was RMB86,000, RMB3.6 million, RMB186,000 and RMB197,000 as of December 31, 2019, 2020, 2021 and 2022 respectively. As of December 31, 2020, we made a provision of RMB3.0 million for a loan to a third party which was our ex-marketing agency. Such balance was written off during the year ended December 31, 2021 due to the entering of a settlement agreement between us and such marketing agency in May 2021, pursuant to which, it was agreed that, inter alias, we shall release our ex-marketing agency from its obligation to repay the loan to us and our ex-marketing agency shall return our inventories that was previously withheld by it at its warehouse.

Other non-current assets

The following table sets forth a breakdown of our other non-current assets as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Prepayments for purchase of staff quarters and office premises	–	53,468	50,026	50,421
Prepayments for leasehold improvement	–	–	–	1,044
Prepayment to a related party	–	–	–	1,376
Prepayment for software development	–	–	–	4,800
Others	1,891	1,043	390	1,997
Total	1,891	54,511	50,416	59,638

We had other non-current assets in the amount of RMB1.9 million, RMB54.5 million, RMB50.4 million and RMB59.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively. The significant increase in our other non-current assets from RMB1.9 million as of December 31, 2019 to RMB54.5 million as of December 31, 2020 was primarily due to the prepayment of RMB53.5 million to Kunshan Jiabao for the purchase of staff quarters. Our other non-current assets decreased from RMB54.5 million as of December 31, 2020 to RMB50.4 million as of December 31, 2021 mainly due to the transfer of the prepayments for the purchase of staff quarter as property, plant and equipment upon the completion and delivery of such staff quarter in 2021, which was partially offset by our prepayment to Kunshan Jiabao for the purchase of office premises pursuant to an agreement entered into in February 2021. For details of the properties acquired from Kunshan Jiabao, please refer to the section headed "Business – Properties – Owned properties". For details about the purchase of properties from Kunshan Jiabao, please refer to the paragraph headed "– Related party transactions and balances" in this section. Our other non-current assets increased to RMB59.6 million as of December 31, 2022 mainly attributable to (i) our prepayment for leasehold improvement for our staff quarter which was newly established in 2021; (ii) prepayment of RMB4.8 million to an Independent Third Party primarily for the development of an app for video creation and editing, which is expected to be used for our online marketing activities; and (iii) prepayment to a related party of RMB1.4 million, which represent the non-current portion of the prepayment for the monthly service fees payable to W&V for the artiste management services in respect of Mr. Liu Keng-hung. For details, please refer to the paragraph headed "Related party transactions and balances" in this section.

Prepayments and other current assets

Prepayments and other current assets primarily comprised of (i) prepayments to related parties; (ii) prepayments to suppliers and services providers; (iii) value-added tax recoverable; and (iv) prepayments for **[REDACTED]** expenses. The following table sets forth a breakdown of our prepayments and other current assets as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Prepayments to related parties	838	905	–	1,501
Prepayments to suppliers and services providers	15,012	28,997	47,444	40,216
Value-added tax recoverable	751	931	1,154	3,093
Prepayments for **[REDACTED]** expenses	–	445	5,079	8,260
Total	16,601	31,278	53,677	53,070

Prepayments to related parties

For details about the prepayment to related parties, please refer to the paragraph headed "– Related party transactions and balances" in this section.

Prepayments to suppliers and service providers

As of December 31, 2019, 2020, 2021 and 2022, the balance of our prepayments to suppliers and service providers amounted to RMB15.0 million, RMB29.0 million, RMB47.4 million and RMB40.2 million, respectively. Set forth below is a breakdown of our prepayments to suppliers and service providers during the Track Record Period:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Prepayments for:				
Production of products(1)	8,865	23,391	15,999	15,949
Advertising and promotion services(2)	1,395	144	25,084	15,320
Production of events and IP programs	1,951	2,790	2,710	3,244
Other(3)	2,801	2,672	3,651	5,703
Total	15,012	28,997	47,444	40,216

Notes:

(1) Represented prepayments to our suppliers for the production of products for our new retail business.

(2) Represented prepayments to advertising agencies and other service providers of advertising and promotion services for our products and IP programs.

(3) Mainly included prepayments for IT services consultancy and equipment, logistic and other services.

The prepayment balance as at December 31, 2019 mainly consisted of our prepayment to our suppliers in connection with Ningbo Superstar Performance Mega Night which was held in January 2020. Our prepayments to suppliers and services providers increased from RMB15.0 million as of December 31, 2019 to RMB29.0 million as of December 31, 2020. The outstanding balance as of December 31, 2020 mainly consisted of our prepayment for the production of *MODONG* coffee, and the production of screenplay for our events, respectively.

Our prepayments to suppliers and service providers further increased from RMB29.0 million as of December 31, 2020 to RMB47.4 million as of December 31, 2021. Our prepayment to supplier and services providers as of December 31, 2021 mainly consisted of our prepayment to (i) Hengmei Group for the production of *MODONG* coffee in the amount of RMB10.4 million; and (ii) the Marketing Agency for placement of advertisements in the amount of RMB24.7 million. Pursuant to the agreement entered into with the Marketing Agency, the parties agreed that, among other things, (a) we are entitled to place the relevant advertisements based on a fixed fees, which shall not be affected by future price adjustments; and (b) we shall be entitled to a refund of our prepayment if we were unable to utilize the prepayments during the term of the agreement. In addition, we have established good business relation with the

Marketing Agency and have successfully requested for refund in respect of our prepayments due to delays in the production of our IP program. Accordingly, our Directors agreed to make a relatively large sum of prepayment to the Marketing Agency for the placement of advertisements and consider that there is no material recoverability issue in respect of our prepayment to the Marketing Agency despite our long-aged prepayments to the Marketing Agency as of December 31, 2022. Please refer to the paragraph headed "– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses – Our cooperation with the Marketing Agency" in this section for further details of our cooperation with the Marketing Agency.

Our prepayments to suppliers and service providers decreased to RMB40.2 million as of December 31, 2022 mainly attributable to the decrease in our prepayments for advertising and promotion services from RMB25.1 million as of December 31, 2021 to RMB15.3 million as of December 31, 2022 due to the utilization and/or refund of part of our prepayment to the Marketing Agency made in 2021.

The following table sets out an aging analysis of our prepayments to suppliers and service providers as at the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
0–30 days	5,687	16,799	7,816	12,600
31–90 days	539	7,719	2,886	2,693
91–120 days	454	913	30,261(3)	3,725
121–365 days	250	3,431(2)	3,456	1,855
Over 365 days	8,082(1)	135	3,025(2)	19,343(2)(3)
Total	15,012	28,997	47,444	40,216

Notes:

(1) Represented our prepayment to the supplier of beauty treatment equipment, which was our non-core products, and had been substantially utilized in the subsequent year.

(2) Such amounts were mainly attributable to our prepayment for the potential investment in the production of a movie in the amount of approximately US$425,000 pursuant to a co-financing agreement entered into by us in June 2020.

(3) Such amounts mainly included our prepayment to the Marketing Agency for the placement of advertisements for our products and our brand, which amounted to RMB24.7 million and RMB15.0 million as of December 31, 2021 and December 31, 2022, respectively. For details of our prepayment to the Marketing Agency, please refer to the discussion above. In particular, we plan to utilize a substantial portion of the prepayments to the Marketing Agency for the placement of advertisement during the airing of *Yue Lai Yue Kuai Le* (樂來樂快樂). As the airing schedule of *Yue Lai Yue Kuai Le* (樂來樂快樂) was delayed, the relevant prepayments had not yet been utilized as at the Latest Practicable Date. It is expected that such prepayment will be fully utilized on or before December 31, 2023.

As of March 31, 2023, RMB11.3 million, or 28.2%, of our prepayments to suppliers and services providers as of December 31, 2022 had been subsequently utilized.

Set forth below is the expected timeline for the utilization of our prepayments to suppliers and services providers as of December 31, 2022:

	On or before June 30, 2023		On or before December 31, 2023		On or before June 30, 2024	
	(RMB'000)	%[1]	*(RMB'000)*	%[1]	*(RMB'000)*	%[1]
Prepayments for:						
Production of products	15,601	38.8	348	0.9	–	–
Advertising and promotion services	3,890	9.7	11,430	28.4	–	–
Production of events and IP programs	142	0.4	142	0.4	2,960[2]	7.4
Other	4,658	11.6	1,040	2.6	5	0.0
Total	24,291	60.4	12,960	32.2	2,965	7.4

Notes:

(1) Represented the percentage of the prepayments utilized to the total prepayments balance of the Group as of December 31, 2022.

(2) Represented our prepayments in relation to our potential investment in the production of a movie.

Restricted bank deposits

We recorded restricted bank deposits of RMB11.0 million as of December 31, 2020. We recorded such balance as of December 31, 2020, primarily due to our dispute with our ex-marketing agency, and as a result, our certain bank accounts were temporarily frozen. In January 2021, all of the funds frozen were unconditionally released. In May 2021, our bank accounts was temporarily frozen by the local authority in Xianan pending for investigation. In late July 2021, all of the funds temporarily frozen by Xianan Authorities were unconditionally released. For details, please refer to the section headed "Business – Distribution network – Distribution Agent Assisted Distribution Model – The Temporary Suspension of Bank Accounts due to alleged pyramid selling" in this document. Accordingly, we did not have any restricted bank deposits as of December 31, 2021 and 2022.

Trade and other payables

Trade Payables

	As of December 31,			
	2019	2020	2021	2022
	(in RMB thousands)			
Trade payables				
– Related parties –	499	5,425	5,428	1,128
– Third parties	8,130	5,241	16,072	8,556
Total	8,629	10,666	21,500	9,684

Trade payables primarily represented our obligations to pay for services and goods from suppliers in the ordinary course of business. Our suppliers generally grant us credit terms of up to 60 days.

Our trade payables were RMB8.6 million, RMB10.7 million, RMB21.5 million and RMB9.7 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

Trade payables to related parties

For details about the trade payables to related parties, please refer to the paragraph headed "– Related party transactions and balances" in this section.

Trade payables to third parties

Our trade payables to third parties amounted to RMB8.1 million, RMB5.2 million, RMB16.1 million and RMB8.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

As of December 31, 2019, our trade payables to third parties amounted to RMB8.1 million, which mainly consisted of payables to suppliers for their services provided for the production of *J-Style Trip* season one.

Our trade payables to third parties decreased from RMB8.1 million as of December 31, 2019 to RMB5.2 million as of December 31, 2020, primarily due to the substantial settlement of the service fees payable to our suppliers related to the production of *J-Style Trip* season one in 2019.

Our trade payables to third parties increased from RMB5.2 million as of December 31, 2020 to RMB16.1 million as of December 31, 2021, primarily attributable to the amounts payables to a service provider for an online Livestreaming event in the amount of RMB3.2 million and suppliers of our health management products in the aggregated amount of RMB5.0 million.

Our trade payables to third parties decreased from RMB16.1 million as of December 31, 2021 to RMB8.6 million as of December 31, 2022, which was primarily due to (i) the settlement of amounts due to Supplier D, a supplier of our IP creation and operation business, of RMB3.2 million during 2022; and (ii) decrease in the amounts payable to the supplier of *MODONG* herb beverage.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
0–60 days	7,710	2,510	19,927	8,190
61–120 days	107	6,947	753	43
121–365 days	186	372	753	66
Over 365 days	626	837	67	1,385
Total	8,629	10,666	21,500	9,684

The following table sets forth our trade payables turnover days during the Track Record Period:

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in days)			
Average trade payables turnover days				
– Overall[(1)]	72	25	41	31
– New retail[(2)]	34	9	28	42
– IP creation and operation[(3)]	97	75	66	22

Notes:

(1) Overall trade payable turnover days equals the average of the opening and closing trade payables divided by the sum of "Cost of goods sold", "Transportation and logistics expenses", "Cost of event planning and management services" and "Addition to TV programs rights" for the relevant year and multiplied by 365 days.

(2) Trade payable turnover days for new retail business equals the average of the opening and closing trade payables divided by sum of "Cost of goods sold", and "Transportation and logistics expenses" for the relevant year and multiplied by 365 days.

(3) Trade payable turnover days for IP creation and operation business equals the average of the opening and closing trade payables divided by sum of "Cost of event planning and management services" and 'Addition to TV programs rights" for the relevant year and multiplied by 365 days.

Overall trade payable turnover days

The overall trade payable turnover days decreased from 72 days for 2019 to 25 days for 2020, primarily due to the rapid growth of *MODONG* coffee business where our production cost paid to Hengmei Group were required to be settled in advance; and the settlement of payable due to a major supplier in connection with planning concerts in 12 cities in China in 2018. The overall trade payable turnover days increased to 41 days for the year ended December 31, 2021, primarily due to the increased trade payables balances related to new retail business following the launch of the new products such as *MODONG* herb beverage, partially offset by the effect from the increase in the cost of event planning and management services incurred in 2021. The overall trade payable turnover days decreased to 31 days for the year ended December 31, 2022, primarily due to the addition of TV programs rights of RMB74.8 million during 2022 and partially offset by the impact of the lower costs of goods sold incurred as a results of the Resurgence where our revenue of new retails business were negatively affected.

Trade payable turnover days for new retail business

Our trade payable turnover days decreased from 34 days for 2019 to nine days for 2020, mainly due to the rapid growth of *MODONG* coffee business where our production cost paid to Hengmei Group were required to be settled in advance. Our trade payable days for new retail business increased to 28 days for the year ended December 31, 2021, mainly due to the increased trade payables balances related to new retail business following the launch of the new products such as *MODONG* herb beverage. The trade payable turnover days for new retail business further increased from 28 days for the year ended December 31, 2021 to 42 days for the year ended December 31, 2022, primarily due to the lower cost of goods sold incurred during 2022 as a result of the Resurgence where our revenue of new retails business were negatively affected.

Trade payable turnover days for IP creation and operation

The trade payable turnover days for IP creation and operation business decreased from 97 days for 2019 to 75 days for 2020, primarily due to the decrease in average trade payable balance related to IP creation and operation business as a result of the settlement of payable due to a major supplier in connection with planning concerts in 12 cities in China in 2018. The trade payable turnover days for IP creation and operation business decreased to 66 days for the year ended December 31, 2021, primarily due to the increase in the cost of event planning and management services incurred in 2021 arising from the music talk shows and performance in music events and variety shows planned and created by us in 2021. The trade payable turnover days for IP creation and operation business decreased to 22 days for the year ended December 31, 2022, primarily due to (i) the addition of TV program rights of RMB74.8 million as of December 31, 2022; and (ii) the decrease in trade payable related to IP creation and operation business due to the settlement of trade payable balance due to Supplier D and JVR Music as of December 31, 2021.

As of March 31, 2023, RMB3.9 million, or 40.5%, of our trade payables as of December 31, 2022 had been subsequently settled.

Other payables

Our other payables and accruals consisted mainly of: (i) amounts due to related parties; (ii) investment received for *J-Style Trip* season one; (iii) salaries and staff welfare payable; (iv) other taxes payable; (v) **[REDACTED]** expense accrual; (vi) accrued expense; (vii) deposits from customers; (viii) sales commission payable; (ix) refund liability; (x) amounts due to third parties; and (xi) others. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Amounts due to related parties	72,788	11,307	–	15,946
Investment received for *J-Style Trip* season one	21,400	–	–	–
Salaries and staff welfare payable	1,592	5,727	6,054	6,083
Other taxes payable	6,967	19,731	9,144	16,975
[REDACTED] expense accrual	–	1,780	781	3,580
Accrued expense	714	1,065	1,193	1,200
Deposits from customers	11,553	5,829	6,815	4,328
Sales commission payable	3,290	20,635	–	–
Refund liability	2,742	–	–	–
Amounts due to third parties	–	–	–	10,176
Others*(Note)*	1,300	2,574	89	1,038
Total	122,346	68,648	24,076	59,326

Note: Others mainly represented payables to administrative and miscellaneous expenses.

Amounts due to related parties

For details of our amounts due to related parties during the Track Record Period, please refer to the paragraph headed "– Related Party Transactions and Balances" in this section.

Investment received for J-Style Trip season one

We recorded investment received for *J-Style Trip* season one in the amount of RMB21.4 million as of December 31, 2019, which represented the funds received by us from an Independent Third Party for the investment in *J-Style-Trip* season one. Such investor had subsequently terminated its investment due to the then uncertainty in the investment return of *J-Style Trip* season one amid the outbreak of COVID-19. For details, please refer to the paragraph headed "Description of major components of our results of operation – other gain/(losses), net" in this section.

Other taxes payable

Our other taxes payable was RMB7.0 million, RMB19.7 million, RMB9.1 million and RMB17.0 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Such balances mainly represented value-added tax payable. Our other tax payable increased significantly from December 31, 2019 to December 31, 2020 mainly due to the increase in the revenue generated from our new retail business. As of December 31, 2021, our other tax payable decreased to RMB9.1 million mainly attributable to the decrease in the revenue generated from our new retail business in 2021. Our other taxes payable increased from RMB9.1 million as of December 31, 2021 to RMB17.0 million as of December 31, 2022 mainly due to increase in output VAT payable resulted from the increase in revenue for the fourth quarter of 2022 which had not been settled as at December 31, 2022.

Deposits from customers

Our deposits from customers was RMB11.6 million, RMB5.8 million, RMB6.8 million and RMB4.3 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Such amount primarily represented the security deposits paid by (i) our distributors of *MODONG* coffee which were primarily received and held by Kunshan Tingshe (being our Distribution Agent). As Kunshan Tingshe was our subsidiary prior to May 2020, the deposits received were also recorded under our consolidated financial statements; and (ii) other distributors, including Customer D, in accordance with the distribution agreements entered into between us and other distributors who engage in distribution of our skincare products brought forward since 2018. The balance of our deposits from customers decreased from RMB11.6 million as of December 31, 2019 to RMB5.8 million as of December 31, 2020, primarily due to the disposal of Kunshan Tingshe. Our deposits from customers increased to RMB6.8 million as of December 31, 2021, primarily due to deposits received from Customer D for our products which were newly launched in 2021. Deposits from customers decreased from RMB6.8 million as of December 31, 2021 to RMB4.3 million as of December 31, 2022 mainly due to the cessation of our business relationship with certain distributors and the refund of the relevant deposits to them.

Sales commission payable

We recorded sales commission payable of RMB3.3 million and RMB20.6 million as of December 31, 2019 and 2020, respectively. As of December 31, 2019, our sales commission payable represented the amount payable in respect of the Service Fee to Li Ting. As of December 31, 2020, our sales commission payable mainly represented the Additional Incentive Fee to Kunshan Tingshe. As of December 31, 2021 and 2022, no Additional Incentive Fee to Kunshan Tingshe was payable by us as the sale of the Kunshan Tingshe Distributed Products during the year ended December 31, 2021 and 2022 did not meet the prescribed target for the Additional Incentive Fee. For details of the pricing arrangement between us and Kunshan Tingshe, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products" in this document.

Amounts due to third parties

We recorded amounts due to third parties of RMB10.2 million as of December 31, 2022. Such amounts mainly represented the fees payable to Mr. Liu Keng-hung and the MCN Company in relation to our celebrity IP management services provided to brand owners or the MCN Company (as the case may be). Please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" in this document for further details on the cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V.

Contract liabilities

Our contract liabilities mainly arose from the prepayments made by distributors for purchase of our products which are received by our Distribution Agent Kunshan Tingshe through the Jointly-controlled Accounts. We would account for such receipts in advance as contract liabilities as we regard Kunshan Tingshe as our agent to receive such advance payments on our behalf which were cleared and settled to us regularly. For more details, please refer to the sections headed "Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors", and "– Control measures against risk of default of Kunshan Tingshe – (a) Jointly-controlled Accounts" in this document and the paragraph headed "Discussion of certain key items of consolidated statement of financial position – Trade and other receivables – Other receivables – Other receivables – Due from a third party" in this section. Alongside with the prepayments made by distributors, to a lesser extent, we received prepayments from other customers for other products and licensing services.

The following table shows the contract liabilities as of the dates indicated:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Sale of goods	11,559	63,056	54,863	24,414
Provision of IP creation and operation service	1,977	1,477	4,490	7,009
Total	13,536	64,533	59,353	31,423

We recorded total contract liabilities (including both current and non-current portion) of RMB13.5 million, RMB64.5 million, RMB59.4 million and RMB31.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively. During the Track Record Period, our contract liabilities mainly arose from advances from distributors for the purchase of products under our new retail business, which amounted to RMB11.6 million, RMB63.1 million, RMB54.9 million and RMB24.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively, representing 85.9%, 97.8%, 92.4% and 77.7% of our total contract liabilities as of the corresponding year end. Our contract liabilities arising from the provision of IP creation and operation service increased from RMB4.5 million as of December 31, 2021 to RMB7.0 million as of December 31, 2022, which was mainly attributable to payments received from certain brand owners in relation to our celebrity IP management business.

Approximately 100%, 100% and 100% of our contract liabilities as at December 31, 2019, 2020 and 2021 had been subsequently recognized as revenue during the Track Record Period. For details, please refer to note 28(b) of the Accountant's Report in Appendix I to this document. As of March 31, 2023, RMB5.1 million, or 16.3%, of our contract liabilities as of December 31, 2022 had been recognized as revenue.

Below we further sets out further details regarding the number of our distributors, the average amount of our contract liabilities and the proportion of prepayment made by these distributors to the total contract liabilities in relation to the sales of goods as of December 31, 2022.

	No. of distributor	**Average amount as of December 31, 2022**	**Proportion of prepayment made by distributors to the total contract liabilities in relation to the sales of goods**
		(in RMB thousands)	*(%)*
Range of prepayment *(in RMB thousands)*			
0–100	703	27	74.4
101–500	38	158	23.5
501–1,000	1	522	2.1
Total	742		100.0

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated.

	Year ended/as of December 31,			
	2019	2020	2021	2022
Gross profit margin	65.4%	50.9%	62.2%	64.7%
Net profit margin	26.2%	16.6%	11.7%	18.9%
Current ratio(1)	1.1 times	1.4 times	1.2 times	1.3 times
Quick ratio(2)	1.0 times	1.3 times	1.1 times	1.2 times
Return on assets(3)	12.1%	23.2%	9.1%	11.7%
Return on equity(4)	88.5%	56.0%	26.0%	27.7%
Gearing ratio(5)	0.10 times	0.02 times	1.14 times	0.84 times

Notes:

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities.

(2) Quick ratio is calculated based on our total current assets less inventories and divided by our total current liabilities.

(3) Return on assets is calculated based on our net profit for the year divided by our total assets at the end of the year and multiplied by 100%.

(4) Return on equity is calculated based on our net profit for the year divided by the total equity as of the end of the year and multiplied by 100%.

(5) Gearing ratio is calculated based on the total borrowings (including bank borrowings, lease liabilities and financial instrument with redemption rights) divided by total equity.

Gross profit margin and net profit margin

For further details of the gross profit margin and net profit margin, please refer to the paragraphs headed "Description of major components of our results of operations – Gross profit and gross profit margin" and "– Period-to-period comparison of results of operations" in this section.

Current ratio and quick ratio

Our current ratio as of December 31, 2019, 2020, 2021 and 2022 was approximately 1.1 times, 1.4 times, 1.2 times and 1.3 times, respectively. The increase in our current ratio from 1.1 times as of December 31, 2019 to 1.4 times as of December 31, 2020 was primarily due to the increase in current assets by RMB80.8 million as a result of the increase in trade and other receivables and cash and cash equivalents, which outpaced the increase in current liabilities of RMB27.7 million. Notwithstanding our current assets increased by 37.5% from RMB259.1 million as of December 31, 2020 to RMB356.2 million as of December 31, 2021, the current ratio slightly decreased to 1.2 times as of December 31, 2021, primarily due to the increase in current liabilities by 55.7% from RMB187.5 million as of December 31, 2020 to RMB291.8 million as of December 31, 2021 mainly resulted from financial instrument with redemption rights of RMB163.5 million. Our current ratio increased slightly to 1.3 times as at December 31, 2022 mainly due to the increase in our current assets, which was mainly attributable to the increase in our TV program rights. Our quick ratio was 1.0 times, 1.3 times, 1.1 times and 1.2 times as of December 31, 2019, 2020, 2021 and 2022, respectively. The quick ratio demonstrated a similar trend as the current ratio and the reasons for the fluctuations are also similar to that of the current ratio.

Return on assets

Our return on assets for the years ended December 31, 2019, 2020, 2021 and 2022 was approximately 12.1%, 23.2%, 9.1% and 11.7%, respectively. The increase in our return on assets from 2019 to 2020 was mainly due to the increase in net profit which outweighed the increase in the total asset. Our return on assets decreased from 2020 to 2021 primarily due to the decrease in our net profit from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021 as a result of the decrease in our revenue and increase in our general and administrative expenses. Our return on assets increased to 11.7% for the year ended December 31, 2022 mainly due to the fact that our net profit for 2022 increased at a higher rate than our total assets as at December 31, 2022.

Return on equity

Our return on equity for the years ended December 31, 2019, 2020, 2021 and 2022 was approximately 88.5%, 56.0%, 26.0% and 27.7%, respectively. Our return on equity decreased moderately in 2020 given the increase in our equity base as a result of the issuance of ordinary shares to our **[REDACTED]** investor at a consideration of HK$37.5 million. Our return on equity further decreased from 2020 to 2021 mainly due to the decrease in our net profit from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021 as a result of the decrease in our revenue and increase in our general and administrative expenses. Our return on equity increased to 27.7% for the year ended December 31, 2022 mainly due to the fact that our net profit for 2022 increased at a higher rate than our total equity as at December 31, 2022.

Gearing ratio

Our gearing ratio was 0.10 times, 0.02 times, 1.14 times and 0.84 times as of December 31, 2019, 2020, 2021 and 2022, respectively. The decrease of the gearing ratio from 2019 to 2020 was primarily attributable to the increase in equity base following the profit generated and the issuance of shares in 2020. The gearing ratio significantly increased to 1.14 times as of December 31, 2021, primarily due to the financial instrument with redemption rights of RMB163.5 million and borrowings of RMB20.0 million as of December 31, 2021. Our gearing ratio decreased to 0.84 times as of December 31, 2022, primarily due to the increase in equity base following the profit generated during 2022.

RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties

During the Track Record Period, we entered into transactions with certain related parties from time to time. For a discussion of related party transactions, please refer to Note 36(b) to the Accountant's Report set forth in Appendix I to this document.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

Balances with related parties

The table below sets forth the breakdowns of our balances with related parties as of the dates indicated below.

Trade in nature:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Trade receivables				
Beijing Master	–	27,407	–	–
Jtea (Kunshan)	–	1,019	–	23
Jesports (Beijing)	–	282	38	15
	–	28,708	38	38
Prepayments				
Max One	838	905	–	–
W&V(1)	–	–	–	2,877
	838	905	–	2,877
Trade payables				
Archstone	–	4,881	1,030	140
Lu Yu Music(2)	499	–	–	–
JVR Music	–	494	4,190	984
Jtea (Kunshan)	–	50	92	4
W&V(1)	–	–	116	–
	499	5,425	5,428	1,128
Contract liabilities				
Jesports (Beijing)	–	1,447	–	–
Jtea (Kunshan)	–	–	1	–
	–	1,447	1	–
Amount due to a related party				
W & V(1)	–	–	–	15,946

Notes:

(1) W&V is the non-controlling shareholder holding 30% of the entire issued share capital of Talent Planet.

(2) 陸宇音樂有限公司 (Lu Yu Music Co.)* ("**Lu Yu Music**") is a company controlled by Mr. Chan Yu-hao, the ultimate shareholder of 50% equity interests in Secret Music (HK).

Non-trade in nature:

	As of December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Amounts due from related parties				
Max One	–	3	–	–
Mr. Lai	4,670	3,907	–	–
Kunshan Jiabao	10,000	–	N/A	N/A
Jushi Creative	8,468	177	–	–
Lhasa Juchuang	1,080	–	–	–
Kunshan Renben	1,080	–	–	–
Shanghai Yige	1,840	–	–	–
Jesports (Beijing)	2,000	–	–	–
Ms. Ma	81	–	–	–
W&V	–	–	–	3
	29,219	4,087	–	3
Amounts due to related parties				
Great Essence Holdings Ltd.	35,762	–	–	–
Jushi Creative	10,000	–	–	–
Kunshan Jiabao	–	531	N/A	N/A
Kunshan Renben	26,742	7,742	–	–
Jesports (Beijing)	3	–	–	–
Ms. Ma	5	–	–	–
Mr. Lai	276	3,034	–	–
	72,788	11,307	–	–
Sales commission payables				
Li Ting	3,290	N/A	N/A	N/A
Prepayment for purchase of staff quarters				
Kunshan Jiabao	–	53,468	N/A	N/A

Trade in nature

Trade receivables

As of December 31, 2019, 2020, 2021 and 2022, our trade receivables from related parties was nil, RMB28.7 million, RMB38,000 and RMB38,000, respectively. Our trade receivables from related parties during the Track Record Period mainly consisted of (i) the licensing fees and advertisement fees relating to *J-Style Trip* season one payable to us by Beijing Master, a PRC-established company holding 30% of the equity interest in Beijing Star Plus Master; and (ii) purchases of *MODONG* coffee and *ChouMate* related products from Jtea (Kunshan) and Jesports (Beijing), each of which was a wholly-owned subsidiary of Jesports (Kunshan) which was in turn controlled by Mr. Yang, Mr. Chen and Ms. Yeh, for reselling at their outlets.

Prepayments

As of December 31, 2019, 2020, 2021 and 2022, our prepayments from related parties was RMB838,000, RMB905,000, nil and RMB2.9 million, respectively. The prepayments as of December 31, 2019 and 2020 were mainly arising from the services provided by Max One, a company wholly-owned by Mr. Chen, in connection with the celebrity endorsement for one of our products under our new retail business. We recorded prepayment to related parties of RMB2.9 million as of December 31, 2022. Such amount represented our prepayment for the monthly service fees payable to W&V under a service agreement entered into between Talent Planet and W&V, pursuant to which Talent Planet engaged W&V to provide artiste management services in relation to IP programs involving Mr. Liu Keng-hung at a monthly service fees of HK$140,000.

Trade payable

As of December 31, 2019, 2020, 2021 and 2022, our trade payables to related parties was RMB499,000, RMB5.4 million, RMB5.4 million and RMB1.1 million, respectively. Our trade payable to related parties as of December 31, 2020 was mainly arising from the logistical and coordination service fees payable to Archstone, a BVI business company wholly owned by Mr. Chen, for its services provided to us in *J-Style Trip* season one. Our trade payable to related parties as of December 31, 2021 was mainly arising from services fees payable to JVR Music, the artiste management company of Mr. Jay Chou, for planning and coordinating the performance participated by Mr. Jay Chou at a music event organized by a leading online music streaming service provider in the PRC. Our trade payables to related parties as of December 31, 2022 was mainly attributable to the fees payable to JVR Music for the licensing of *ChouMate* under our IP creation and operation business.

Contract liabilities

As of December 31, 2019, 2020, 2021 and 2022, contract liabilities attributable to related parties was nil, RMB1.4 million, RMB1,000 and nil respectively. We recorded such balance with Jesports (Beijing) as of December 31, 2020, primarily attributable to the advance payment made by Jesports (Beijing) for *MODONG* coffee yet to be delivered to Jesports (Beijing).

Amount due to a related party

As of December 31, 2022, we recorded amount due to a related party in the amount of RMB15.9 million, which represented the fees payable to W&V in relation to our celebrity IP management services provided to brand owners or the MCN Company (as the case may be) which commenced in 2022. For details of our cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" in this document.

Non-trade in nature

Amounts due from related parties

As of December 31, 2019, 2020, 2021 and 2022, our amounts due from the related parties was RMB29.2 million, RMB4.1 million, nil and RMB3,000, respectively. Our amount due from related parties as of December 31, 2019 mainly represented (i) the earnest money paid to Kunshan Jiabao, a company of which Ms. Ma had been a director from March 2019 to August 2021, for the purchase of properties which was fully refunded in 2020; and (ii) the loan provided by us to Jushi Creative and the consideration receivable from related parties in relation to the disposal of Jushi Creative. The decrease in our amounts due from related parties as of December 31, 2020 was mainly due to the refund of the deposit paid by us for the properties purchased from Kunshan Jiabao. For details of the properties acquired from Kunshan Jiabao, please refer to the section headed "Business – Properties – Owned properties" in this document. As of December 31, 2021, all the abovementioned outstanding amounts due from our related parties had been settled. As of December 31, 2022, we recorded amounts due from related parties of RMB3,000, which represented the unpaid registered share capital payable by W&V as a shareholder of Talent Planet. Such balance will be fully settled before **[REDACTED]**.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Amounts due to related parties

As of December 31, 2019 and 2020, our amounts due to related parties was approximately RMB72.8 million and RMB11.3 million, respectively. The decrease was mainly due to the repayment of loans provided by Kunshan Renben and Great Essence and the settlement of consideration payable by us to Jushi Creative in relation to the acquisition of Kunshan Star Plus Action from Jushi Creative in 2018. As of December 31, 2021 and 2022, all the abovementioned outstanding amounts due to our related parties had been settled.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Sales commission payables

As of December 31, 2019, we recorded sales commission payable to related parties of RMB3.3 million. The balance mainly represented the fee payable to Li Ting for her sales commission in connection with the *MODONG* coffee in 2019. Li Ting was no longer our related party upon our disposal of Kunshan Tingshe in May 2020.

Prepayment for purchase of staff quarters

We recorded prepayment to related parties as of December 31, 2020 in the amount of RMB53.5 million which was arising from our purchase of staff quarters from Kunshan Jiabao, which is wholly owned by WS World (Kunshan) Digital Film Culture Development Co. Ltd., who is an Independent Third Party. We also entered into an agreement with Kunshan Jiabao in February 2021 for the purchase of office premises. To our best knowledge, Kunshan Jiabao is principally engaged in property investment and development with a primarily focus in Kunshan. Given Ms. Ma was acquainted with the management of Kunshan Jiabao since 2012, they maintained good relationship and trust. Based on Ms. Ma's extensive business network in Kunshan, Ms. Ma was invited by the management of Kunshan Jiabao to provide strategic advice and was the legal representative and director of Kunshan Jiabao from March 2019 to August 2021. Therefore, Kunshan Jiabao was treated as one of our related parties under the applicable accounting standard.

For the avoidance of doubt, Ms. Ma was not involved in the operation of Kunshan Jiabao. As of the Latest Practicable Date, Ms. Ma had resigned from all positions from Kunshan Jiabao. Despite our relationship with Kunshan Jiabao, our Directors consider our related party transaction with Kunshan Jiabao was conducted in our ordinary and usual course of business and on normal commercial terms. Further, the consideration of the transaction and all relevant terms are fair and reasonable, given the consideration was agreed after arm's length negotiation between the parties with reference to the price list published by Kunshan Jiabao.

Moreover, the Directors consider as our business operations continue to grow, we will need more staff quarters and office space to accommodate our expanding team of staff. Furthermore, our Directors also consider that owning and providing our own staff quarters has the positive effect of attracting more talents. After searching for possible sites, we believe the above properties are suitable venues for such purpose as the area in which the properties is located will be a mature residential and commercial area for our use. Regarding the details of the properties acquired from Kunshan Jiabao, please refer to the section headed "Business – Properties – Owned properties".

As Ms. Ma had ceased to be the legal representative and director of Kunshan Jiabao in August 2021, the balance of our prepayment to Kunshan Jiabao as of December 31, 2021 was no longer recorded as balances with related parties. For details of the balance of prepayment to Kunshan Jiabao as of December 31, 2022, please refer to the paragraph headed "– Discussion of certain key items of consolidated statement of financial position – Other non-current assets" in this section.

All non-trade balances with related parties will be fully settled upon **[REDACTED]**.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically met our working capital and other capital requirements primarily through cash generated from our operating activities and capital injection from our Shareholders. We had cash and cash equivalents of RMB29.3 million, RMB121.0 million, RMB211.9 million and RMB182.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

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

	Year ended December 31,			
	2019	**2020**	**2021**	**2022**
	(in RMB thousands)			
Operating cash flows before movements in working capital	32,815	115,294	83,259	121,785
Movement in working capital	(29,996)	223,688	(43,842)	(98,760)
Cash generated from operations	2,819	338,982	39,417	23,025
Interest received	62	479	1,248	2,443
Income tax paid	(1,245)	(11,008)	(49,950)	(19,973)
Net cash inflow/(outflow) from operating activities	1,636	328,453	(9,285)	5,495
Net cash outflow from investing activities	(17,824)	(197,722)	(42,943)	(24,863)
Net cash inflow/(outflow) from financing activities	28,442	(39,030)	143,615	(11,387)
Net increase/(decrease) in cash and cash equivalents	12,254	91,701	91,387	(30,755)
Cash and cash equivalents at beginning of the year	17,044	29,298	120,962	211,873
Effect of exchange rate changes on cash and cash equivalents	–	(37)	(476)	1,515
Cash and cash equivalents at end of the year	29,298	120,962	211,873	182,633

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Net cash inflow/(outflow) from operating activities

Net cash inflow/(outflow) from operating activities reflected the (i) cash generated from operations; (ii) interests received; and (iii) income tax paid.

For the year ended December 31, 2019, we had net cash flows inflowed from operating activities of RMB1.6 million, which was the result of cash generated from operations of RMB2.8 million and income tax payment of RMB1.2 million.

The cash generated from operations of RMB2.8 million primarily represented profit before tax of RMB31.8 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included the depreciation of right-of-use assets of RMB0.8 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included the increase in TV program rights of RMB35.2 million and inventories of RMB9.1 million, being partially offset by changes in certain working capital items that positively affected operating cash flow, mainly included the increase in trade and other payables in the amount of RMB10.3 million.

For the year ended December 31, 2020, we had net cash flows inflowed from operating activities of RMB328.5 million, which was the result of cash generated from operations of RMB339.0 million and income tax payment of RMB11.0 million.

The cash generated from operations of RMB339.0 million primarily represented profit before tax of RMB113.8 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included other income from settlement of investment for *J-Style Trip* season one of RMB9.4 million and net impairment losses on financial assets of RMB4.5 million; and (ii) certain working capital items that positively affected operating cash flow, mainly included (a) the realization of TV programs rights of RMB77.2 million resulting from the airing of *J-Style Trip* season one on Zhejiang Satellite TV in March 2020; (b) the increase in trade and other payables of RMB90.8 million primarily attributable to the disposal of Kunshan Tingshe; (c) the increase of contract liabilities of RMB51.4 million mainly due to increase in prepayments made by distributors for purchase of our coffee products which are received by our Distribution Agent Kunshan Tingshe through the Jointly-controlled Accounts; and (d) decrease in trade and other receivables of RMB31.3 million, which was partially offset by the increase in inventories of RMB11.0 million which was in line with the increase in the stock of new products such as *Chaxiaojie* and *Dr.mg* in preparation of the launch.

For the year ended December 31, 2021, we had net cash flows outflowed from operating activities of RMB9.3 million, which was the result of cash generated from operations of RMB39.4 million and income tax payment of RMB50.0 million.

The cash generated from operations of RMB39.4 million primarily represented profit before tax of RMB64.7 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included finance costs of RMB10.2 million and impairment losses on inventories in the amount of RMB6.2 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included (a) the decrease in trade and other payables of RMB23.9 million; (b) increase in prepayments and other current assets of RMB17.8 million; and (c) increase in TV program rights of RMB13.6 million; which was partially offset by the decrease of trade and other receivables of RMB22.5 million. We had net cash outflows from operating activities of RMB9.3 million for the year ended December 31, 2021 mainly due to (i) the settlement of amounts due to related parties of RMB11.3 million; (ii) the increase in prepayments to suppliers and services providers by RMB18.4 million; (iii) cash used in the production of *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two; and (iv) the income tax paid during 2021.

For the year ended December 31, 2022, we recorded net cash inflow from operating activities of RMB5.5 million, which was resulted from cash generated from operations of RMB23.0 million, as adjusted by interest received of RMB2.4 million and income tax paid of RMB20.0 million.

Our cash generated from operations of RMB23.0 million primarily represented profit before tax of RMB93.1 million for 2022, adjusted for (i) certain non-cash gains, loss and expenses, mainly included exchange loss of RMB13.7 million and net impairment losses on inventories of RMB6.7 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included increase in TV program rights of RMB76.0 million and decrease in contract liabilities of RMB27.9 million.

Net cash outflow from investing activities

For the year ended December 31, 2019, we had net cash outflowed from investing activities of RMB17.8 million, primarily due to the (i) loans to Jushi Creative and Jesports (Beijing) of RMB11.0 million; and (ii) payments of deposit for purchase of office premises of RMB10.0 million, which was partially offset by repayment of loans by Jushi Creative of RMB4.4 million.

For the year ended December 31, 2020, we had net cash outflowed from investing activities of RMB197.7 million, primarily due to (i) net of cash of disposed subsidiaries of RMB151.2 million; and (ii) payments for the purchase of a new office building, including the payments of deposit, in the total amount of RMB56.0 million; which was partially offset by the (iii) repayment of loans to Jushi Creative and Jesports (Beijing) of RMB10.5 million and (iv) the refund of the deposit paid for the purchase of office premises of RMB10.0 million in 2019.

For the year ended December 31, 2021, we had net cash outflowed from investing activities of RMB42.9 million, primarily due to payments for property, plant and equipment of RMB53.9 million, which was partially offset by the decrease in restricted bank deposits of RMB11.0 million.

For the year ended December 31, 2022, we had net cash outflowed from investment activities of RMB24.9 million, which was mainly attributable to cash used in payments for other non-current assets and property, plant and equipment in the amount of RMB15.1 million and RMB6.3 million, respectively.

Net cash inflow/(outflow) from financing activities

For the year ended December 31, 2019, our net cash inflowed from financing activities was RMB28.4 million, primarily due to the (i) loans from related parties of RMB34.6 million; (ii) proceeds from joint investors in production of *J-Style Trip* season one of RMB15.0 million; which was partially offset by (iii) repayment of loans to related parties of RMB20.2 million.

For the year ended December 31, 2020, our net cash outflowed from financing activities was RMB39.0 million, primarily due to the (i) repayment of loans to related parties of RMB19.0 million; (ii) cash paid to Shareholders for Reorganization of RMB12.0 million; and (iii) settlement of financial liabilities in relation to *J-Style Trip* season one of RMB12.0 million since it was released in 2020.

For the year ended December 31, 2021, we had net cash inflowed from financing activities of RMB143.6 million, primarily attributable to (i) proceeds from issuance of Shares pursuant to our **[REDACTED]** investment of RMB166.1 million; (ii) net proceeds from borrowings of RMB20.0 million, which was partially offset by (iii) dividend payments to Shareholders of RMB16.7 million; and (iv) repayment of loans to related parties of RMB11.5 million.

For the year ended December 31, 2022, we had net cash outflowed from financing activities of RMB11.4 million, primarily attributable to cash used in the repayments of borrowings of RMB5.0 million and lease payments of RMB3.1 million.

Current assets and current liabilities

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

	As of December 31,				As of March 31,
	2019	2020	2021	2022	2023
	(in RMB thousands)				
					(unaudited)
Current assets					
Inventories	15,510	24,107	24,490	28,828	25,474
TV programs rights	77,247	–	13,594	89,602	105,339
Trade and other receivables	39,617	71,760	52,538	62,066	34,430
Prepayments and other current assets	16,601	31,278	53,677	53,070	43,730
Restricted bank deposits	–	11,008	–	–	–
Cash and cash equivalents	29,298	120,962	211,873	182,633	211,877
Total current assets	**178,273**	**259,115**	**356,172**	**416,199**	**420,850**
Current liabilities					
Trade and other payables	130,975	79,314	45,576	69,010	51,495
Contract liabilities	12,850	64,533	59,308	31,385	52,013
Current income tax liabilities	14,932	42,076	15,153	24,575	25,931
Lease liabilities	1,013	1,573	3,281	1,872	1,436
Financial instrument with redemption rights	–	–	163,520	178,654	175,082
Borrowings	–	–	5,000	5,000	5,000
Total current liabilities	**159,770**	**187,496**	**291,838**	**310,496**	**310,957**
Net current assets	**18,503**	**71,619**	**64,334**	**105,703**	**109,893**

March 31, 2023 as compared to December 31, 2022

Our current assets increased by RMB4.7 million from RMB416.2 million as of December 31, 2022 to RMB420.9 million as of March 31, 2023, which was mainly attributable to (i) the increase in cash and cash equivalent by RMB29.2 million; and (ii) the increase in TV programs rights by RMB15.7 million, and partially offset by the decrease in trade and other receivables by RMB27.6 million.

Our current liabilities increased by RMB461,000 from RMB310.5 million as of December 31, 2022 to RMB311.0 million as of March 31, 2023, which was mainly attributable by the increase in contract liabilities by RMB20.6 million and partially offset by the decrease in trade an other payables by RMB17.5 million.

December 31, 2022 as compared to December 31, 2021

Our current assets increased by RMB60.0 million from RMB356.2 million as of December 31, 2021 to RMB416.2 million as of December 31, 2022, which was mainly attributable to (i) the increase in TV programs rights by RMB76.0 million; and (ii) the increase in trade and other receivables by RMB9.5 million, partially offset by the decrease in cash and cash equivalent by RMB29.2 million.

Our current liabilities increased by RMB18.7 million from RMB291.8 million as of December 31, 2021 to RMB310.5 million as of December 31, 2022, which was mainly attributable to (i) the increase in trade and other payables by RMB23.4 million; and (ii) the increase in the value of financial instrument with redemption rights by RMB15.1 million, partially offset by the decrease in contract liabilities by RMB27.9 million.

December 31, 2021 as compared to December 31, 2020

Our current assets increased from RMB259.1 million as of December 31, 2020 to RMB356.2 million as of December 31, 2021, which was primarily attributable to (i) an increase in cash and cash equivalents from RMB121.0 million as of December 31, 2020 to RMB211.9 million as of December 31, 2021, which was primarily attributable to the injection of capital from our **[REDACTED]** investment; (ii) the recognition of TV programs rights of RMB13.6 million in connection with the production of *J-Style Trip* season two; and (iii) the increase of prepayments and other current assets from RMB31.3 million as of December 31, 2020 to RMB53.7 million as of December 31, 2021.

Our current liabilities increased from RMB187.5 million as of December 31, 2020 to RMB291.8 million as of December 31, 2021, which as primarily attributable to the recognition of financial instrument with redemption rights of RMB163.5 million in connection with our **[REDACTED]** investment, where the Company may be required to repurchase our Shares issued to one of our **[REDACTED]** investors upon the occurrence of certain circumstances, and such contractual obligation constituted financial liability under the prevailing accounting treatment. Please refer to Note 30 to the Accountant's Report in Appendix I to this Document for details, which was partially offset by the decrease of (i) trade and other payables from RMB79.3 million as of December 31, 2020 to RMB45.6 million as of December 31, 2021; and (ii) decrease in current income tax liabilities from RMB42.1 million as of December 31, 2020 to RMB15.2 million as of December 31, 2021.

December 31, 2020 as compared to December 31, 2019

Our current assets increased from RMB178.3 million as of December 31, 2019 to RMB259.1 million as of December 31, 2020. The increase was primarily attributable to (i) a significant increase in trade and other receivables from RMB39.6 million as of December 31, 2019 to RMB71.8 million as of December 31, 2020, which was in line with the increase in sales revenue in *MODONG* coffee in 2020; (ii) a significant increase in cash and cash equivalents from RMB29.3 million as of December 31, 2019 to RMB121.0 million as of December 31, 2020, which was primarily attributable to the cash collected from the sales of *MODONG* coffee; and (iii) an increase in inventory from RMB15.5 million as of December 31, 2019 to RMB24.1 million as of December 31, 2020. The increase in current assets was partially offset by a decrease of TV programs rights from RMB77.2 million as of December 2019 to nil as of December 31, 2020, as *J-Style Trip* season one finished airing.

Our current liabilities increased from RMB159.8 million as of December 31, 2019 to RMB187.5 million as of December 31, 2020. The increase was primarily attributable to a significant increase in the contract liabilities from RMB12.9 million as of December 31, 2019 to RMB64.5 million as of December 31, 2020, which was primarily attributable to the payment made to us by distributors for *MODONG* coffee yet to be delivered and in line with the increase in sales revenue.

INDEBTEDNESS

The following table shows our bank borrowings, lease liabilities and financial instrument with redemption rights as of the dates indicated:

	As of December 31,				As of March 31,
	2019	**2020**	**2021**	**2022**	**2023**
	(in RMB thousands)				
					(unaudited)
Non-Current					
Bank borrowings	–	–	15,000	10,000	8,750
Lease liabilities	1,484	1,409	1,035	220	171
Subtotal	1,484	1,409	16,035	10,220	8,921
Current					
Bank borrowings	–	–	5,000	5,000	5,000
Lease liabilities	1,013	1,573	3,281	1,872	1,436
Financial instrument with redemption rights	–	–	163,520	178,654	175,082
Subtotal	1,013	1,573	171,801	185,526	181,518
Total	2,497	2,982	187,836	195,746	190,439

Bank borrowings

We did not have any outstanding balance of bank borrowings as of December 31, 2019 and 2020. As of December 31, 2021 and 2022 and March 31, 2023, we had outstanding bank borrowings in the amounts of RMB20.0 million, RMB15.0 million and RMB13.8 million, respectively, which arose from the mortgage loan entered into in January 2021 for the purchase of staff quarters from Kunshan Jiabao.

As at March 31, 2023, being the latest practicable date for the purpose of the indebtedness statement, we did not have any unutilized banking facilities.

Lease liabilities

The following table shows the lease liabilities as of the dates indicated:

	As of December 31,				As of March 31,
	2019	2020	2021	2022	2023
	(in RMB thousands)				
					(unaudited)
Lease liabilities					
Current	1,013	1,573	3,281	1,872	1,436
Non-current	1,484	1,409	1,035	220	171
Total	2,497	2,982	4,316	2,092	1,607

We recognized total lease liabilities of RMB2.5 million, RMB3.0 million, RMB4.3 million, RMB2.1 million and RMB1.6 million as of December 31, 2019, 2020, 2021, 2022 and March 31, 2023, respectively. The continuous increase of lease liabilities from 2019 to 2021 was mainly due to the new rental agreements that we entered into. Our lease liabilities decreased to RMB2.1 million and RMB1.6 million as of December 31, 2022 and March 31, 2023, respectively mainly due to the early termination of one of our leases in 2022. For further information regarding our lease liabilities, please refer to Note 26 to the Accountant's Report in Appendix I to this document.

Financial instrument with redemption rights

Pursuant to the investment agreement entered into between Bradbury and us, we maybe required by Bradbury to repurchase all our Shares held by Bradbury if, among others, our Shares fail to list on the Stock Exchange on or before December 31, 2021. Should Bradbury decide to exercise such redemption right, we will be required to repurchase such Shares at an aggregate consideration of HK$200,000,000, being the consideration paid by Bradbury for the

[REDACTED] Investment. As the repurchase option given to Bradbury is an unavoidable obligation of our Group, the investment from Bradbury was regarded as financial instruments with redemption rights instead of an equity. As of December 31, 2022 and March 31, 2023, the financial instrument with redemption rights amounted to RMB178.7 million and RMB175.1 million, respectively. The redemption rights of Bradbury was suspended immediately prior to the submission of our **[REDACTED]** and remained suspended as at the Latest Practicable Date. For details, please refer to the section headed "History, Development and Reorganization – **[REDACTED]** investments – Special rights granted to the **[REDACTED]** Investors" in this document.

Our Directors confirm that, as of the Latest Practicable Date, there is no material changes in our indebtedness since March 31, 2023.

CONTINGENT LIABILITIES

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures mainly consisted of the payments for property, plant and equipment and intangible assets. For the years ended December 31, 2019, 2020, 2021 and 2022, our total capital expenditures amounted to RMB1.2 million, RMB56.1 million, RMB54.4 million and RMB9.7 million, respectively. During the Track Record Period, we financed our capital expenditures primarily with our cash and cash equivalents and cash flows from our operating activities and financing activities, such as cash advance from related companies, bank borrowings and proceeds from issuance of ordinary shares to a **[REDACTED]** investor. We plan to fund our planned capital expenditures using cash generated from operating activities and **[REDACTED]** received from the **[REDACTED]**. Please refer to the section headed "Future plans and use of **[REDACTED]**" in this document for more details. We will continue to make capital expenditures to support the growth of our business. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have any significant capital commitments outstanding as of December 31, 2019, 2020, 2021 and 2022.

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Generally, we are exposed to various types of financial risks, including foreign exchange risk, cash flow and fair value interest rate risk, price risk, credit risk and liquidity risk.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. The consolidated financial statements are presented in Renminbi, which is our Company's functional currency and our presentation currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures, wherever possible.

We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that the business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our operating entities. We did not hedge against any fluctuation in foreign currency during the Track Record Period.

During the Track Record Period, we recognized total net foreign exchange gains of RMB34,000 and RMB3.6 million for the years ended December 31, 2020 and 2021, respectively, and net foreign loss of RMB9.9 million for the year ended December 31, 2022.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 20 to the Accountant's Report in Appendix I to this document. Our Directors do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements.

Price risk

We are exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in wealth management products. To manage its price risk arising from the investments, we diversify its investment portfolio. The sensitivity analysis is performed by our management, please refer to Note 3.3(a) to the Accountant's Report in Appendix I to this document for details.

Credit risk

Credit risk is managed on a group basis. The credit risk of us mainly arises from financial assets, cash and cash equivalents, restricted cash deposits and trade and other receivables. The carrying amounts of these balances represent our maximum exposure to credit risk in relation to these assets.

In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

We have two types of financial assets that are subject to HKFRS 9's new expected credit loss model, including trade receivables and long-term receivables and other receivables. While cash and cash equivalents, other financial assets at amortized cost and bills receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial. Our management has assessed the expected credit losses based on the background and reputation of the customers, historical settlement records and past experience. Our management also considered the default rates and loss given default from external rating agency report and forward-looking information that may impact the customers' ability to repay the outstanding balances. Trade receivables and relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

On that basis, the loss allowance as of December 31, 2019, 2020, 2021 and 2022 was determined for trade receivables and other receivables.

Liquidity risk

To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The table below analyzes our financial liabilities into relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	(in RMB thousands)			
As of December 31, 2019				
Trade and other payables[1]	122,416	–	–	122,416
Lease liabilities	1,125	665	980	2,770
Total	123,541	665	980	125,186
As of December 31, 2020				
Trade and other payables[1]	53,856	–	–	53,856
Lease liabilities	1,843	981	377	3,201
Total	55,699	981	377	57,057

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	(in RMB thousands)			
As of December 31, 2021				
Trade and other payables[1]	30,378	–	–	30,378
Borrowing and interest payables	6,023	5,734	10,603	22,360
Lease liabilities	3,694	1,203	–	4,897
Financial instrument with redemption rights	163,520	–	–	163,520
Total	203,615	6,937	10,603	221,155
As of December 31, 2022				
Trade and other payables[1]	45,952	–	–	45,952
Borrowings and interest payables	5,734	5,447	5,156	16,337
Lease liabilities	2,059	231	–	2,290
Financial instrument with redemption rights	178,654	–	–	178,654
Total	232,399	5,678	5,156	243,233

Note:

(1) Excluding salaries and staff welfare payable and other taxes payable.

PROPERTY VALUATION

As at the Latest Practicable Date, we had interests in two properties located in Kunshan City in Jiangsu Province of the PRC, which were being used or expected to be used as our staff quarter and office premises. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of March 31, 2023. For details, please refer to the property valuation report in Appendix III to this document.

The following table sets forth the reconciliation of the carrying values of our property interests as of December 31, 2022 as reflected in our consolidated financial statements included in Appendix I to this document; and the market value of such property interests as of March 31, 2023 as disclosed in the property valuation report (the "**Valuation Report**") in Appendix III to this document.

	RMB'000
Net book value of our property interests as of December 31, 2022 (audited)	
Buildings included in property, plant and equipment	53,399
Prepayments for purchase of office premises*(Note 1)*	50,421
	103,820
Movement during the period from December 31, 2022 to March 31, 2023 (unaudited)	
Less: Depreciation (unaudited)	(409)
Net book value of our property interests as of March 31, 2023 (unaudited)	103,411
Add: Valuation surplus before tax	4,589
Market value of our property interests as of March 31, 2023 as set forth in the Valuation Report*(Note 2)*	108,000

Notes:

1. As of December 31, 2022, the properties to be used as our office premises (the "**Office Premises**") have not been delivered to us, therefore, the net book value of such properties were recorded as prepayments under other non-current assets of our consolidated financial statements for 2022.

2. As of March 31, 2023, the title of the Office Premises has not been vested with us, and therefore, no commercial value was attributable to the Office Premises in the Valuation Report. Based on the Valuation Report, the market value of the Office Premises as of March 31, 2023 was estimated to be RMB52.0 million, on the assumption that the relevant title certificates have been obtained and we were entitled to freely transfer, lease, mortgage or otherwise dispose of such property.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Dividend policy

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. The PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC accounting principles, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we declared dividends of HK$20,000,000 to our Shareholders. We do not have any dividend policy and have no present plan to pay any dividends to our Shareholders in the foreseeable future. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. As advised by our legal advisors on Cayman Islands law, under Cayman Islands law, dividends may be paid out of profits or the credit standing in our share premium account, and a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of the credit standing in our share premium account notwithstanding our profitability, provided that immediately after payment of such dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Board will take into account of the following factors when determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- relevant legal requirements; and
- other factors that the Board may deem relevant.

Distributable reserves

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 3, 2020. Please refer to Notes 24 and 25 to the Accountant's Report as set out in Appendix I to this document for details of our Company's reserves.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Based on the mid-point **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of our **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**), the total **[REDACTED]** expenses (including **[REDACTED]**) estimated to be approximately RMB**[REDACTED]** million, and represent approximately **[REDACTED]** of the gross **[REDACTED]** from the **[REDACTED]**. Among the total **[REDACTED]** expenses, approximately RMB**[REDACTED]** million is expected to be borne by us and approximately RMB**[REDACTED]** million is expected to be borne by the Selling Shareholder. **[REDACTED]** expenses to be borne by us include (i) **[REDACTED]** of approximately RMB**[REDACTED]** million, and (ii) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, which consist of (a) fees and expenses of the sole sponsor, legal advisors and Reporting Accountant of approximately RMB**[REDACTED]** million; and (b) other fees and expenses of approximately RMB**[REDACTED]** million.

Up to December 31, 2022, we have incurred RMB36.8 million as **[REDACTED]** expenses for the **[REDACTED]**, of which RMB28.5 million was charged to our consolidated statements of comprehensive income and RMB8.3 million was recorded as prepayment in the consolidated statement of financial position will be accounted for as a deduction from our equity upon the **[REDACTED]**. We estimate that an additional **[REDACTED]** expenses of RMB**[REDACTED]** million (including **[REDACTED]** of RMB**[REDACTED]** million, assuming the **[REDACTED]** is not exercised and based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**), will be further incurred by us, of which RMB**[REDACTED]** million is expected to be charged to our consolidated statement of comprehensive income and RMB**[REDACTED]** million is expected to be charged against equity upon the **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations.

[REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following **[REDACTED]** statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the **[REDACTED]** on the net tangible assets of the Group attributable to the Shareholders of the Company as of December 31, 2022 as if the **[REDACTED]** had taken place on December 31, 2022, assuming the **[REDACTED]** is not exercised.

This **[REDACTED]** statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2022 or at any future dates following the **[REDACTED]**. It is prepared based on the consolidated net assets of the Group as at December 31, 2022 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this Document, and adjusted as described below. The **[REDACTED]** statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to Shareholders of the Company as at December 31, 2022	Estimated impact to the consolidated net tangible assets relating to termination of the redemption right upon the [REDACTED]	Estimated [REDACTED] from the [REDACTED]	[REDACTED] adjusted net tangible assets attributable to Shareholders of the Company as at December 31, 2022	[REDACTED] adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible assets attributable to Shareholders of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to Shareholders of the Company as at December 31, 2022 of **[REDACTED]** with an adjustment for the intangible assets attributable to Shareholders of the Company as at December 31, 2022 of **[REDACTED]** (excluding the portion of the intangible assets attributable to the non-controlling interests of the Group of **[REDACTED]**).

(2) Under the **[REDACTED]** investment agreement with Bradbury Private Investment III Inc. ("**Bradbury**"), Bradbury was granted with a redemption right pursuant to which the Company shall repurchase all the shares from Bradbury if our Shares fails to be **[REDACTED]** on the Main Board of the Stock Exchange on or before December 31, 2021. In accordance with the **[REDACTED]** investment agreement, the redemption right was suspended immediately prior to the Company's submission of the **[REDACTED]** and would be restored automatically upon the earlier of the withdrawal of the Company's **[REDACTED]**, the Company's **[REDACTED]** being rejected, or the Company's **[REDACTED]** process being terminated or **[REDACTED]** has lapsed for any reason. Such redemption right is recognized as a financial liability in the consolidated statement of financial position as at December 31, 2022, as set out in Appendix I to this document. The redemption right will be terminated automatically upon the **[REDACTED]**. Accordingly, for the purpose of the **[REDACTED]** statement of adjusted net tangible assets, the **[REDACTED]**

adjusted consolidated net tangible assets of the Group attributable to the Shareholders of the Company have been increased by RMB**[REDACTED]**, being the carrying amount of the financial instrument with redemption rights as at December 31, 2022.

(3) The estimated **[REDACTED]** from the **[REDACTED]** are based on the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share, being the low and high end of the indicative **[REDACTED]** respectively, after deduction of the **[REDACTED]** fees and other related expenses payable by the Company (exclude those **[REDACTED]** expenses of approximately RMB28,487,000 which have been accounted for in the consolidated statements of comprehensive income prior to December 31, 2022) and takes no account of any Shares which may fall to be issued upon the exercise of the **[REDACTED]**, any Shares which may be issued under the **[REDACTED]** Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate.

(4) The **[REDACTED]** net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** and the **[REDACTED]** have been completed on December 31, 2022 but takes no account of any Shares which may fall to be issued upon the exercise of the **[REDACTED]**, any Shares which may be issued under the **[REDACTED]** Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate.

(5) For the purpose of this **[REDACTED]** adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.8805. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2022.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including existing borrowings, cash and cash equivalents, cash generated from operations and the estimated **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for our present requirements, that is, for at least in the next 12 months from the date of this Document.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2022, being the end date of the periods reported in the Accountant's Report included in Appendix I to this document, and there is no event since December 31, 2022 which would materially affect the information as set out in the Accountant's Report in Appendix I to this document.