
SUMMARY

This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire document carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a branding, advertising and marketing service provider based in Hubei Province, the PRC, providing services across the entire value chain from market research through collaboration with research institutes to execution of branding, advertising and marketing projects through collaboration with different media resources suppliers so as to assist brand owners, advertisers and advertising agents in formulating and implementing effective service proposals to fulfil their promotional needs and marketing objectives, thereby further enhancing their brand reputation to targeted recipients, and improving the competitiveness and market share of their products or services.

Our customers comprise (i) brand owners and advertisers, including private and state-owned enterprises and government authorities; and (ii) advertising agents, from a diversified spectrum of industries including beverage, healthcare food production, automobile manufacturing, household essentials manufacturing, tourism and agricultural and related food processing.

During the Track Record Period, we derived revenue from the provision of:

- (i) branding services, primarily including (a) market research and industry data analysis on industries in which our customers are engaged through collaboration with research institutes; (b) planning of brand development strategies, involving identification of core values of brands and advice on brand positioning and target customers; (c) design of brand image; and (d) formulation of products and/or services marketing and brand promotional plans;
- (ii) advertising services, comprising traditional offline media advertising services and online media advertising services, through traditional offline media such as TV, radio and outdoor advertising space and online media such as websites, search engines, applications and social media platforms, primarily including (a) identification and selection of the appropriate media mix; (b) preparation of advertising proposals; (c) procurement of advertising resources; and (d) arrangement and supervision of placement of advertisements;
- (iii) event execution and production services through organisation and implementation of marketing events to promote the brands, products and/or services of our customers; and
- (iv) provision of advertisement placement services (including rebates from Media Partner), which comprises formulation of online advertisement plan, maintaining the accounts of the customers opened at the advertising platform of the Media Partner and arranging advertisement placement on the designated online media platforms of the Media Partner according to the requests of our customers. As an ancillary service, we will also design and produce short advertisement videos based on the request of our customers.

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The following summarises the major differences between online media advertising services and provision of advertisement placement services:

In relation to platforms for the advertisement placements

- (i) for online media advertising services, we assist customers to place online advertisements on various popular online media platforms in the PRC, such as social media and online video platforms operated by different advertising resources providers, while for provision of advertisement placement services, we assist customers to place online advertisements on the online media platforms operated by the Media Partner only; and

In relation to scope of services

- (ii) for online media advertising services, our services mainly include understanding the marketing needs of customers and providing suggestions to customers on the forms of online advertisements, and then liaising with the advertising resources providers to execute the advertisement placements according to the instructions of the customers. In contrast, for provision of advertisement placement services, apart from discussing with our customers to understand their desired time frame and expenditure for the advertisement placement, we will also maintain the accounts of our customers opened at the advertising platform of the Media Partner, inject deposits on behalf of our customers into the advertising platform of the Media Partner and arrange advertisement placement on the designated online media platforms of the Media Partner according to the requests of our customers. As an ancillary service, we will also design and produce short advertisement videos based on the request of our customers.

For details of the other differences between online media advertising services and provision of advertisement placement services, please refer to the paragraph headed “Business – Our principal business – Comparison of online media advertising services and provision of advertisement placement services” in this document.

To optimise our customers’ advertising and marketing strategies, after provision of our traditional offline and online advertising services and event execution and production services, we will prepare a summary report to analyse and evaluate the effectiveness of our advertising proposals or marketing events based on the results provided by advertising media or platforms.

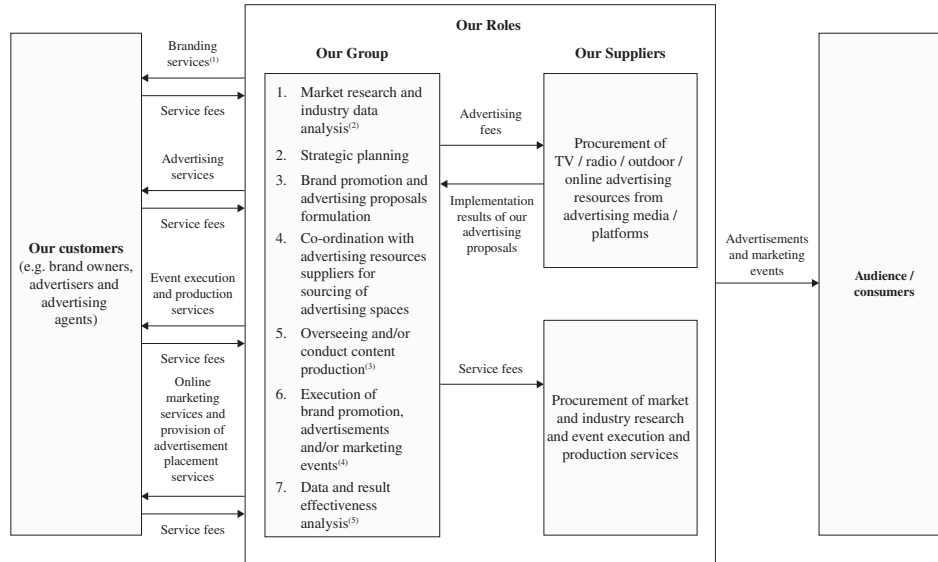
Due to the increasing demand for multi-channel advertising services and the rapid development of technology and the internet, we have expanded our advertising services to provide online media advertising services since 2018 and provision of advertisement placement services since 2022. During the Track Record Period, we have entered into strategic cooperation and/or advertising agency agreements with market leading operators of online search engines, websites, social media, e-commerce and OTT platforms and the Media Partner, thereby enabling our Group to offer a wide range of online advertising resources and services to our customers based on the analysis on the preference and behaviour of internet users and the characteristics and effectiveness of various online media platforms.

We believe our diversified coverage of offline and online media advertising channels would allow us to adapt to the rapid changes in the advertising industry, and thereby enabling us to identify the most appropriate and effective advertising resources to satisfy the needs of our customers.

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OUR BUSINESS MODEL

The following chart sets forth our business model in providing branding, advertising and marketing services to our customers during the Track Record Period:



Notes:

- (1) After receiving the branding service proposals prepared by us, our customers may further engage us to execute our proposals on project basis as separate engagements for our advertising services and/or event execution and production services.
- (2) We will generally collaborate with research institutes to conduct market research and industry data analysis. For details, please refer to the paragraph headed “Business – Collaboration with research institutes” in this document.
- (3) For our traditional offline and online media advertising services, we are generally not responsible for the content production as our customers may have their own in-house team or designated third-party production house for the production of advertisements to ensure consistency in design and style of their own series of advertisements. In the event that our customers would like us to oversee the content production, we will generally engage independent third parties for production of the content and supervise the process.

For our provision of advertisement placement services, depending on the needs of our customers, we also assist them to design and produce short advertisement videos for placing on the online media platforms of the Media Partner.

- (4) For our provision of advertisement placement services, we will assist our customer to open an account on the advertising platform of the Media Partner, and operate the account of the customers to place advertisements on the relevant online media platforms of the Media Partner.
- (5) After the end of the advertising period or the marketing event (excluding provision of advertisement placement services), we would prepare and provide a summary report to our customers to summarise the implementation details provided by advertising media or platforms and analyse the effectiveness of our advertising proposals or marketing events.

For our advertisement placement service, once the advertisement is displayed online, we will monitor the advertisement performance and review their marketing results on a real-time and continuing basis on the Media Partner’s platforms, and provide feedback to the customers. Therefore, we will not prepare any summary report at the end of the advertising period.

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OUR PRINCIPAL BUSINESS

During the Track Record Period, we provided the following types of services to our customers: (i) branding services; (ii) traditional offline media advertising services; (iii) online media advertising services; (iv) event execution and production services; and (v) provision of advertisement placement services (including rebates from Media Partner). The following table sets forth the breakdown of our revenue by service type during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	Revenue (RMB'000)	Approximate % to total revenue (%)	Revenue (RMB'000)	Approximate % to total revenue (%)	Revenue (RMB'000)	Approximate % to total revenue (%)	Revenue (RMB'000)	Approximate % to total revenue (%)	Revenue (RMB'000)	Approximate % to total revenue (%)
Branding services	61,255	59.2	74,926	47.5	90,502	43.7	27,596	45.5	28,712	38.3
Traditional offline media advertising services	8,466	8.2	4,083	2.6	2,204	1.1	876	1.4	-	-
Online media advertising services	18,465	17.9	46,196	29.3	48,145	23.2	21,751	35.9	12,027	16.0
Event execution and production services	15,258	14.7	32,432	20.6	41,380	20.0	10,440	17.2	15,613	20.8
Provision of advertisement placement services	-	-	-	-	16,515	8.0	-	-	13,563	18.1
Rebates from Media Partner	-	-	-	-	8,421	4.0	-	-	5,099	6.8
Total	103,444	100.0	157,637	100.0	207,167	100.0	60,663	100	75,014	100

Our revenue increased from approximately RMB103.4 million for FY2020 to approximately RMB157.6 million for FY2021 and increased further from approximately RMB157.6 million for FY2021 to approximately RMB207.2 million for FY2022. Our revenue also increased from approximately RMB60.7 million for 4M2022 to approximately RMB75.0 million for 4M2023. The above increases were mainly attributable to the increase in revenue from the provision of branding services, online media advertising services, event execution and production services and advertisement placement services (including rebates from Media Partner) as a result of (i) the growing market demand for our branding, advertising and marketing services after the COVID-19 was kept under control; (ii) the removal of anti-epidemic measures by the Chinese government at the end of 2022, which result in the economic activities and scene activities, such as cultural events, exhibitions and conferences resuming to normal and an increase in the demand for our event execution and production services; (iii) our Group’s enhanced sales efforts to explore more potential customers; (iv) the general increase in demand from advertisers for online media advertising and our Group’s continued strategic shift to focus on this segment; and (v) the growth of online retail sales in the PRC which stimulated more customers to select our online media advertising services and advertisement placement services to place advertisements to boost up their sales.

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The following table sets forth the gross profit and gross profit margin by service type during the Track Record Period:

	FY2020		FY2021		FY2022		4M2022		4M2023	
	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)	RMB'000 <i>(unaudited)</i>	Gross profit margin (%)	RMB'000	Gross profit margin (%)
Branding services	33,727	55.1	39,219	52.3	50,172	55.4	14,860	53.8	13,448	46.8
Traditional offline media advertising services	882	10.4	483	11.8	292	13.2	17	1.9	-	-
Online media advertising services	2,970	16.1	6,787	14.7	15,339	31.9	2,603	12.0	10,591	88.1
Event execution and production services	5,306	34.8	11,182	34.5	14,272	34.5	3,442	33.0	5,362	34.3
Provision of advertisement placement services	-	-	-	-	14,789	89.5	-	-	12,247	90.3
Rebates from Media Partner	-	-	-	-	8,421	100.0	-	-	5,099	100.0
	<u>42,885</u>	<u>41.5</u>	<u>57,671</u>	<u>36.6</u>	<u>103,285</u>	<u>49.9</u>	<u>20,922</u>	<u>34.5</u>	<u>46,747</u>	<u>62.3</u>

Branding services

We provide branding services to our customers where we will conduct market research and formulate comprehensive and customised branding services proposals for our customers covering various areas, including corporate brand building, products and/or services positioning, and marketing and sales strategies. We aim to provide comprehensive branding services to our customers, which generally include: (i) study and analysis on the brand of the customers; (ii) design and planning of the brand development strategies; (iii) design of the brand image; and (iv) formulation of products and/or services marketing and brand promotion plans. Please refer to the paragraph headed “Business – Our operational workflow” in this document for the duration of each workflow for the provision of branding services.

For our branding services, we generally determine our service fee based on a cost-plus approach, in which we will assess our costs to be incurred for the branding services projects, such as our staff costs and research expenses, and then include a markup over the estimated costs when determining the service fees. We may also adjust the markup depending on the market condition and the competitive environment on a case-by-case basis. Our gross profit margin of branding services during FY2020, FY2021 and FY2022 amounted to approximately 55.1%, 52.3% and 55.4%, respectively. We recorded a decrease in gross profit margin of branding services from approximately 53.8% for 4M2022 to approximately 46.8% for 4M2023. Such decrease was mainly due to that we offered relatively competitive prices to (i) certain new customers in order to increase our competitiveness and expand our customer base; and (ii) certain recurring customers in view of their long-term business relationship with our Group.

Traditional offline media advertising services

We provide advertising services to our customers on offline media. The major offline media advertising spaces we offered are (i) TV advertising space; (ii) radio advertising space; and (iii) outdoor advertising space. Our services cover most of the key stages in placing advertisement, including identifying the appropriate media mix, preparing the advertising proposal, procurement of advertising resources, arranging and supervising the placement of advertisements and evaluation of the advertisements’ effectiveness. Please refer to the paragraph headed “Business – Our operational workflow” in this document for the duration of each workflow for the provision of traditional offline media advertising services.

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Online media advertising services

We provide intermediary services to assist our customers to identify and select the relevant online advertising resources suppliers so that the advertisements of our customers could be placed on a wide variety of online platforms such as websites, search engines, applications and social media platforms. We offer customers suggestions on the forms of online advertisements and the types of online platforms after analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms. Please refer to the paragraph headed “Business – Our operational workflow” in this document for the duration of each workflow for the provision of online media advertising services.

The two major forms of online media advertising spaces we offered were (i) display advertising where promotional messages would appear on websites, applications or social media platforms through banners or other advertisement formats made of text, images, flash and video; and (ii) search engine advertising where name, brand and/or products of the advertisers will appear on the website’s search results when the consumers have entered the relevant keywords.

Our gross profit margin of online media advertising services decreased slightly from approximately 16.1% for FY2020 to approximately 14.7% for FY2021 and increased to approximately 31.9% for FY2022. Our gross profit margin of online media advertising services increased from approximately 12.0% for 4M2022 to approximately 88.1% for 4M2023. The increase in our gross profit margin of online media advertising services in FY2022 and 4M2023 was mainly due to that we recognised revenue generated from the Ten Advertising Agents under online media advertising services on a net basis and all costs had been netted off with the gross revenue.

Event execution and production services

We also assisted our customers in formulating, organising and implementing marketing campaigns and activities to promote their brands, services and products. Based on the objectives of our customers as well as the types of products or services to be marketed, we provide services covering all stages of organising marketing campaigns, including (i) formulating campaign strategies; (ii) devising design of the programmes, work plans and rundown of events; (iii) execution of the projects through procuring supply of materials and engaging third-party service providers; (iv) assisting with project management and overseeing the execution of marketing campaigns; and (v) evaluating the effectiveness of the marketing campaigns through public opinion. Please refer to the paragraph headed “Business – Our operational workflow” in this document for the duration of each workflow for the provision of event execution and production services.

Provision of advertisement placement services (including rebates from Media Partner)

In January 2022, we have entered into a cooperation agreement with the Media Partner for placing advertisements on the various online media platforms operated by the Media Partner. In May 2022, we obtained the agency certificate issued by the Media Partner, and therefore we have commenced our provision of advertisement placement services for our customers since May 2022. Our cooperation with the Media Partner is on a non-exclusive basis and is subject to renewal each year. Our annual framework agreement with the Media Partner generally starts from 1 January and expires on 31 December of each year. We have successfully renewed our annual framework agreement with the Media Partner on similar key terms and conditions and our agency certificate for the period from 1 January 2023 to 31 December 2023. It is expected that the annual framework agreement for 2024 will be signed around the end of December 2023, which is of similar timing as in the previous year. For details of our terms of cooperation with the Media Partner, please refer to the paragraph headed “Business – Our principal business – Provision of advertisement placement services (including rebates from Media Partner) – Key terms of agreement with the Media Partner” in this document.

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We commenced to provide the provision of advertisement placement services in May 2022 and hence no revenue was generated from this segment in FY2020 and FY2021. For FY2022, we generated revenue of approximately RMB24.9 million from the provision of advertisement placement services (including rebates from Media Partner), which represented approximately 12.0% of our total revenue. Our revenue generated from provision of advertisement placement services (including rebates from Media Partner) amounted to approximately RMB18.7 million for 4M2023, representing approximately 24.9% of our total revenue for the same period. We did not recognise any revenue from provision of advertisement placement services (including rebates from Media Partner) for 4M2022 as we only commenced such services in May 2022.

OUR CUSTOMERS

Our customers include brand owners and advertisers (including private enterprises, state-owned enterprises of various industries and government authorities) and advertising agents in the PRC.

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The following table sets out a breakdown of the revenue by customer type during the Track Record Period:

Brand	FY2020		FY2021		FY2022		4M2022		4M2023						
	No. of customer	Revenue (RMB'000)	Approximate % of our total revenue (%)	No. of customer	Revenue (RMB'000)	Approximate % of our total revenue (%)	No. of customer	Revenue (RMB'000)	Approximate % of our total revenue (%)	No. of customer	Revenue (RMB'000)	Approximate % of our total revenue (%)			
owners and advertisers	64	97,207	94.0	94	147,883	93.8	90	160,678	77.6	47	55,444	91.4	66	46,398	61.9
- Private enterprises	38	86,966	84.1	70	131,197	83.2	76	145,815	70.4	38	47,818	78.8	59	42,981	57.3
- State-owned enterprises	7	3,883	3.8	9	9,170	5.8	5	7,632	3.7	5	3,641	6.0	4	3,331	4.5
- Government authorities	19	6,358	6.1	15	7,516	4.8	9	7,231	3.5	4	3,985	6.6	3	86	0.1
Advertising agents	2	6,237	6.0	10	9,754	6.2	87	46,489	22.4	5	5,219	8.6	97	28,616	38.1
Total	66	103,444	100.0	104	157,637	100.0	177	207,167	100.0	52	60,663	100.0	163	75,014	100.0

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For FY2020, FY2021, FY2022 and 4M2023, revenue generated from our largest customer in each year or period amounted to approximately RMB17.9 million, RMB8.7 million, RMB13.6 million and RMB6.2 million, representing approximately 17.3%, 5.5%, 6.6% and 8.2% of our total revenue, respectively. Revenue generated from our five largest customers in each year or period during the Track Record Period amounted to approximately RMB54.1 million, RMB41.4 million, RMB55.4 million and RMB24.2 million, representing approximately 52.2%, 26.2%, 26.8% and 32.2% of our total revenue, respectively. Our five largest customers in each year or period during the Track Record Period are Independent Third Parties. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their respective close associates or any Shareholders who own more than 5% of the issued Shares, had any interest in any of our five largest customers in each year or period for the Track Record Period. Please refer to the paragraph headed “Business – Customers” in this document for details of our five largest customers in each year or period during the Track Record Period.

We have a strong customer base as evidenced by the increase in revenue generated from our recurring customers and our ability to attract new customers during the Track Record Period.

OUR PROJECTS

We generally enter into contracts with our customers on a project basis for the provision of our services. During the Track Record Period, the project duration of our branding, traditional offline media, online media advertising and event execution and production services ranged between 80 to 130 days, 120 to 270 days, 150 to 300 days and 100 to 210 days, respectively. The project duration refers to the period from the date of contracts to the issuance of invoices to our customers. For details of the movement of the number of our projects and the rolling backlog of our projects by outstanding contract sum during the Track Record Period and from 1 May 2023 to the Latest Practicable Date, please refer to the paragraph headed “Business – Our projects” in this document.

PRICING POLICY

We formulate and adjust our pricing policy in accordance with industry information and market trends. We generally determine our service fees on a case-by-case basis, taking into account factors including (i) estimated time to be spent and the complexity of the project, such as the number of staff to be involved in the project and customers’ requirements; (ii) scope of services provided; (iii) fees charged by our suppliers including third-party service providers; (iv) budgets of our customers; (v) time requirements of the services; (vi) background of the customers; and (vii) future business opportunities with the customers. For our projects, we generally determine our service fee based on a cost-plus approach, in which we will assess our costs to be incurred for the projects, such as staff costs, research expenses, costs of acquiring the advertising resources and/or supplies for implementing the marketing events, etc., and then include a markup over the estimated costs when determining the service fees. We will adjust the markup depending on the market condition and the competitive environment on a case-by-case basis. On some occasions, we received enquiries from customers for discounts and may offer a discounted price to customers with a high industry recognition and reputation, which are measured with reference to among others, the listing status, years of establishment, track record and scale of their business operation, market share in their respective business industries, and their public image and reputation based on our Directors’ industry knowledge and experience in order to strategically build up our business portfolio in particular industry sectors and to establish long-term relationships with them. During the Track Record Period, we offered discounts ranging from 9.8% to 21.8% to 4, 4, 4 and 6 projects which in aggregate contributed approximately RMB1.7 million, RMB2.8 million, RMB2.9 million and RMB3.1 million to our revenue for FY2020, FY2021, FY2022 and 4M2023, respectively.

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OUR SUPPLIERS

During the Track Record Period, our suppliers mainly comprised (i) research institutes; (ii) advertising resources providers; and (iii) advertising agents. Research institutes are institutions which are engaged to conduct market research on the market and industry in which our customers operate, including the latest development and trends of the industry, the opportunities and challenges facing the industry, the nature of the target customers, customers’ consumption behaviour and preference, and an analysis on the competitive environment, such as the major competitors and the nature of competition in the market. Advertising resources providers (i.e. the ultimate advertising resources operators) are generally companies possessing advertising resources directly, such as TV station operators, agents and/or owners of websites, search engines, social media and e-commerce platforms, and outdoor platforms. Advertising agents are advertising companies which source advertising resources from the ultimate advertising resources suppliers.

For FY2020, FY2021, FY2022 and 4M2023, the cost of services provided by our largest supplier in each year or period amounted to approximately RMB13.5 million, RMB9.9 million, RMB9.0 million and RMB6.4 million, representing approximately 23.9%, 10.4%, 9.4% and 26.3% of our total cost of services provided by suppliers, respectively. For the same years or period, the cost of services provided by our five largest suppliers amounted to approximately RMB38.6 million, RMB42.3 million, RMB40.2 million and RMB17.2 million, representing approximately 68.1%, 44.7%, 42.1% and 70.5% of our total cost of services provided by suppliers, respectively. Our five largest suppliers in each year or period during the Track Record Period are Independent Third Parties.

MARKET AND COMPETITION

According to Frost & Sullivan, the integrated branding, advertising and marketing service market in the PRC grew at a CAGR of 11.0% in terms of total expenditure from 2017 to 2022, and is expected to grow at a CAGR of 7.2% from 2023 to 2027, reaching approximately RMB1,538.0 billion by the end of 2027. There were approximately 190 integrated branding, advertising and marketing service providers in China, with the top five market players accounting for approximately 3.5%, 1.5%, 1.4%, 1.4%, and 0.8%, respectively, and in aggregate 8.6% of the total revenue of the integrated branding, advertising and marketing service market in China. The top five market players are listed companies which mainly provide marketing services and advertising services. For details, please refer to the paragraph headed “Industry Overview – Overview of integrated branding, advertising and marketing service market in China – Competitive landscape” in this document. In 2022, the sales revenue of our Group accounted for approximately 0.02% of total expenditure in China’s integrated branding, advertising and marketing service.

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OUR COMPETITIVE STRENGTHS

We believe our success is attributable to, among other things, the following competitive strengths:

- we have developed strategy formulation and data analytical capabilities;
- we have proven track record in providing quality branding, advertising and marketing services;
- we have established stable and long-standing business relationships with suppliers of a wide range of media platforms and advertising resources;
- we have developed capabilities to formulate tailor-made ideas and concepts which can be applied to produce different forms of branding, advertising and marketing contents across a wide range of media platforms;
- we have maintained business relationships with customers from diverse industries; and
- we have an experienced management team with in-depth industry expertise.

OUR BUSINESS STRATEGIES

Our key business strategies are to:

- strengthen our data analytical capabilities and further enhance our branding services;
- continue to expand our online media advertising services;
- expand the geographical reach of our services; and
- further improve our brand recognition and increase our marketing efforts.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below set out, for the years or periods indicated, our consolidated statements of profit or loss and other comprehensive income, the details of which are set forth in Appendix I to this document, and these should be read in conjunction with the financial statements in Appendix I to this document, including the related notes.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	FY2020 <i>RMB'000</i>	FY2021 <i>RMB'000</i>	FY2022 <i>RMB'000</i>	4M2022 <i>RMB'000</i> <i>(unaudited)</i>	4M2023 <i>RMB'000</i>
Revenue	103,444	157,637	207,167	60,663	75,014
Cost of services	(60,559)	(99,966)	(103,882)	(39,741)	(28,267)
Gross profit	42,885	57,671	103,285	20,922	46,747
Other income	1,272	954	402	144	2,637
Selling and marketing expenses	(2,663)	(4,601)	(6,406)	(1,786)	(3,276)
Administrative expenses	(10,231)	(20,148)	(29,544)	(7,420)	(10,469)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(Provision for)/reversal of expected credit loss on financial and contract assets, net	(1,031)	1,362	(5,935)	(663)	(3,408)
Finance costs	(462)	(693)	(1,457)	(331)	(704)
Profit before income tax expense	29,679	23,156	55,610	8,968	30,996
Income tax expense	(5,358)	(4,682)	(9,951)	(1,634)	(5,018)
Profit for the year/period	<u>24,321</u>	<u>18,474</u>	<u>45,659</u>	<u>7,334</u>	<u>25,978</u>
Profit attributable to:					
– Owners of the Company	24,228	18,474	45,659	7,334	25,978
– Non-controlling interests	93	–	–	–	–
	<u>24,321</u>	<u>18,474</u>	<u>45,659</u>	<u>7,334</u>	<u>25,978</u>

Non-HKFRS measures

In order to supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we also use adjusted profit (Non-HKFRS measure), which is not required by, or presented in accordance with HKFRS. We believe this non-HKFRS measure helps identify underlying trends in our business and therefore provide useful information to [REDACTED] in understanding and evaluating our results of operation by eliminating potential impacts of such items. We also believe that this non-HKFRS measure provides useful information about our operating results, enhances the overall understanding of our past performance and future prospects, and allows for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

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We define adjusted profit (Non-HKFRS measure), as profit for the year adjusted by [REDACTED] relating to the [REDACTED].

While adjusted profit (Non-HKFRS measure) provides additional information to [REDACTED] in understanding and evaluating our results of operations, the use of adjusted profit (Non-HKFRS measure) has certain limitations as an analytical tool. When assessing our operating and financial performance, you should not consider adjusted profit (Non-HKFRS measure) in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table sets forth a reconciliation of our Group’s net profits for the years or periods to our adjusted profit (Non-HKFRS measure) for the years or periods indicated:

	FY2020	FY2021	FY2022	4M2022	4M2023
	<i>(unaudited)</i>				
Profit for the year/period <i>(RMB’000)</i>	24,321	18,474	45,659	7,334	25,978
Adding back: [REDACTED] <i>(RMB’000)</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit (Non- HKFRS measure) <i>(RMB’000)</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Our net profit decreased from approximately RMB24.3 million for FY2020 to approximately RMB18.5 million for FY2021, mainly attributable to increase in administrative expenses and selling and marketing expenses. Our net profit increased from approximately RMB18.5 million for FY2021 to approximately RMB45.7 million for FY2022, which was mainly attributable to the increase in revenue due to the growing market demand of branding services, online media advertising services and the commencement of provision of advertisement placement services in FY2022 and the decrease in [REDACTED] in FY2022 as compared with FY2021. Our net profit increased from approximately RMB7.3 million for 4M2022 to approximately RMB26.0 million for 4M2023, which was mainly attributable to the increase in gross profit and the decrease in [REDACTED].

Please refer to the paragraph headed “Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income” in this document for more details.

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Selected items of consolidated statements of financial position

	As at 31 December			As at
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	30 April 2023 (RMB'000)
Total current assets	59,472	68,220	128,688	219,126
Trade receivables	22,972	32,040	102,602	161,346
Deposits, prepayments and other receivables	22,293	5,491	20,586	20,974
Total current liabilities	19,430	32,255	62,416	120,645
Trade payables	8,513	10,803	7,908	64,846
Accruals and other payables	2,746	7,119	7,206	10,275
Borrowings	5,200	10,789	37,224	35,950
Net current assets	40,042	35,965	66,272	98,481
Total non-current assets	18,962	21,486	33,980	26,867
Plant and equipment	7,958	6,611	17,958	15,449
Right-of-use assets	4,187	3,010	1,804	1,408
Intangible assets	5,824	4,734	3,569	3,181
Prepayments	–	6,000	9,000	4,500
Total non-current liabilities	6,546	8,982	6,124	5,242
Lease liabilities	4,485	2,840	996	17
Borrowings	–	3,400	719	–
Deferred tax liabilities	2,061	2,742	4,409	5,225
Non-controlling interests	1,778	–	–	–
Total equity or net assets	52,458	48,469	94,128	120,106

Our net assets decreased from approximately RMB52.5 million as at 31 December 2020 to approximately RMB48.5 million as at 31 December 2021, primarily attributable to the deemed distribution (i.e. elimination of our capital reserve of a subsidiary of our Group) of approximately RMB20.8 million arising from the Reorganisation, and such deemed distribution reduced our equity balance. Such decrease was partially offset by the net profit for FY2021 of approximately RMB18.5 million arising from the business growth during the year. For the details of the deemed distribution and the reasons on the increase in our net profit for FY2021, please refer to the paragraph headed “Appendix I – Consolidated Statements of Changes in Equity” and the paragraph headed “Financial Information – Year to year/period to period comparison of results of operations – FY2020 compared to FY2021” in this document for further details.

Our net assets increased from approximately RMB48.5 million as at 31 December 2021 to approximately RMB94.1 million as at 31 December 2022, primarily attributable to the net profit for the year of approximately RMB45.7 million arising from the business growth during the year. For the reasons on the increase in our net profit for FY2022, please refer to the paragraph headed “Financial Information – Year to year/period to period comparison of results of operations – FY2021 compared to FY2022” and the paragraph headed “Appendix I – Consolidated statements of changes in equity” in this document for further details.

Our net assets increased from approximately RMB94.1 million as at 31 December 2022 to approximately RMB120.1 million as at 30 April 2023, primarily attributable to the net profit for 4M2023 of approximately RMB26.0 million arising from the business growth during the same period.

SUMMARY

Selected items of consolidated statements of cash flows

	FY2020 (RMB'000)	FY2021 (RMB'000)	FY2022 (RMB'000)	4M2022 (RMB'000) <i>(unaudited)</i>	4M2023 (RMB'000)
Net cash generated from operations before changes in working capital	33,005	26,302	69,728	11,390	38,262
Changes in working capital	(1,627)	(3,487)	(92,905)	(14,783)	(2,205)
Income tax paid	(3,027)	(4,405)	(6,081)	(1,694)	(4,107)
Net cash generated from/(used in) operating activities	28,351	18,410	(29,258)	(5,087)	31,950
Net cash (used in)/generated from investing activities	(2,358)	13,388	(18,702)	(12,586)	4,639
Net cash (used in)/generated from financing activities	(14,244)	(13,666)	20,631	3,739	(3,599)
Net increase/(decrease) in cash and cash equivalents	11,749	18,132	(27,329)	(13,934)	32,990
Cash and cash equivalents at beginning of the year/period	322	12,071	30,203	30,203	2,874
Cash and cash equivalents at end of the year/period	<u>12,071</u>	<u>30,203</u>	<u>2,874</u>	<u>16,269</u>	<u>35,864</u>

For FY2022, we had net cash inflows from operating activities before working capital change of approximately RMB69.7 million and net cash outflows used in operating activities of approximately RMB29.3 million. The difference of approximately RMB99.0 million was primarily attributable to (i) the increase in trade receivables of approximately RMB75.6 million resulting from the increase in our revenue generated near year end; (ii) the increase in contract assets of approximately RMB2.3 million mainly arising from the increase in services provided by our Group which has not been unconditionally accepted by our customers; (iii) the increase in deposits, prepayments and other receivables of approximately RMB15.9 million mainly attributable to the increase in our deposits paid to the Media Partner for provision of advertisement placement services; (iv) the decrease in trade payables of approximately RMB2.9 million due to the settlement of trade payables by our Group; and (v) income tax paid of approximately RMB6.1 million, which were partially offset by the increase in contract liabilities of approximately RMB3.6 million resulting from the increase in advance payments from some customers near year end date.

We recorded net cash outflows used in operating activities for FY2022, mainly attributable to the time lags between our payments of deposits to the Media Partner for the provision of advertisement placement services and our receipts of payments from our customers. We were generally required to make deposits to the Media Partner prior to the provision of advertisement placement services. We completed more than 100 projects of provision of advertisement placement services at the end of FY2022 and we generally granted a credit period of 90 days, in line with the industry norm, to our customers of provision of advertisement placement services. Therefore, such timing difference of payments to the Media Partner and receipts of payments from our customers had a significant impact on our net cash movement during FY2022.

SUMMARY

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	For the year ended/as at 31 December			For the four months ended/as at 30 April
	2020	2021	2022	2023
Gross profit margin	41.5%	36.6%	49.9%	62.3%
Net profit margin	23.5%	11.7%	22.0%	34.6%
Gearing ratio	21.3%	38.6%	43.3%	31.5%
Current ratio	3.1 times	2.1 times	2.1 times	1.8 times
Return on equity	46.4%	38.1%	48.5%	21.6%
Return on assets	31.0%	20.7%	28.1%	10.6%
Interest coverage ratio	271.7 times	53.8 times	44.4 times	47.7 times
Net debt to equity ratio	Net cash	Net Cash	39.9%	1.4%

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks relating to an investment in our [REDACTED]. These risks can be generally categorised into: (i) risks relating to our Group; (ii) risks relating to our industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the [REDACTED]; and (v) risks relating to statements made in this document. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this document. A summary of certain of these risk factors which may have a material and adverse effect on our business, financial condition, results of operations and prospects is set forth below:

- the income generated from our business is generally project-based and non-recurring in nature and our future business depends on our continuous ability in securing new projects;
- if we fail to achieve the marketing objectives of our customers, our financial performance may be adversely affected;
- we rely on research institutes for provision of our branding services;
- we engage third-party service providers to provide various services. Their failure to provide us with timely and high-quality products or services may materially and adversely affect our business operations;
- we recorded net cash used in operating activities for FY2022. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected;
- we recorded an increasing trend for our average trade receivables turnover days during the Track Record Period. There is no assurance that our customers will settle their payments when they fall due, or at all. Any delay or default in payments from our customers may cause challenges for us to manage our working capital and/or adversely impact our liquidity;
- we have concentrated supplier base and any increases in price of their services or advertising resources could materially and adversely affect our results of operations, financial position and prospects; and

SUMMARY

- our business may be affected by seasonal fluctuations in demand for our branding, advertising and marketing services from customers in different industries.

You should read the entire section headed “Risk Factors” in this document before you decide to invest in the [REDACTED].

[REDACTED]

We undertook the [REDACTED] in preparation of the [REDACTED]. Immediately after the completion of the [REDACTED] and the [REDACTED], the [REDACTED], Mr. Nie (through his shareholding in Youxin Capital) and Mr. Shen will be effectively entitled to approximately [REDACTED] and [REDACTED] of the issued Shares of our Company. Both of our [REDACTED] are individual investors. Mr. Zhang Bei, one of our executive Directors, is the nephew of Mr. Nie. Save for the aforesaid, Mr. Shen, to the best knowledge and belief of our Directors, is an Independent Third Party. For further details, please refer to the paragraph headed “History, Reorganisation and Corporate Structure – [REDACTED]” in this document.

OUR SHAREHOLDING STRUCTURE

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and the options that may be granted under the Share Option Scheme), Mr. Chen (through JaiYi Culture) will own approximately [REDACTED] of the issued share capital of our Company. JaiYi Culture is an investment holding company and is wholly-owned by Mr. Chen. Therefore, Mr. Chen and JaiYi Culture are regarded as our Controlling Shareholders under the Listing Rules.

NON-COMPLIANCE

We were involved in certain non-compliance incidents relating to short-term loans to our related parties during the listing of Huashi Media on the NEEQ. Huashi Media provided short-term loans to its related parties, including Mr. Chen and Ms. Xue, in breach of the relevant PRC laws and regulations and the internal rules and measures of Huashi Media between January 2016 and June 2016, and did not make disclosure in a timely manner in relation to such continuing connected transactions. Our Directors confirmed that up to the Latest Practicable Date, no punishment, disciplinary measures or sanctions have been imposed by the relevant regulatory authorities in the PRC, including but not limited to CSRC and the NEEQ CO., Ltd., against Huashi Media, Mr. Chen, Ms. Xue, our other Directors and senior management due to the non-compliance incidents. Our PRC Legal Advisers are of the view that the risk of the relevant authorities imposing further punishment or penalties on us is remote. For details, please refer to the paragraph headed “Business – NEEQ non-compliance incidents” in this document.

DIVIDENDS

On 18 August 2020, Huashi Media declared and paid an aggregate dividend of RMB17.4 million to its then shareholders. Save as above, no other dividends have been paid or declared by us during the Track Record Period. Our Company currently does not have any predetermined dividend payout ratio. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial position, working capital, capital requirements and other factors our Board may deem relevant. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year.

SUMMARY

[REDACTED]

	Based on minimum indicative [REDACTED] of [REDACTED] per [REDACTED]	Based on maximum indicative [REDACTED] of [REDACTED] per [REDACTED]
[REDACTED] of our Shares ⁽¹⁾	[REDACTED]	[REDACTED]
[REDACTED] adjusted consolidated net tangible asset value per Share ⁽²⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED].
- (2) The [REDACTED] adjusted consolidated net tangible asset value per Share is calculated after adjustments referred to in Appendix II and on the basis of [REDACTED] Shares in issue at the [REDACTED] immediately upon the completion of the [REDACTED] and the [REDACTED].
- (3) All statistics in this table are based on the assumption that the [REDACTED] is not exercised.

[REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document) and the [REDACTED] is not exercised, will be approximately HK\$[REDACTED], after deduction of related [REDACTED] and estimated expenses payable by us in connection with the [REDACTED].

We intend to use the [REDACTED] of the [REDACTED] for the following purposes assuming the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED]):

- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to strengthen our data analytical capabilities and further enhance our branding services, consisting of:
 - approximately [REDACTED]%, or HK\$[REDACTED] is expected to be used to establish our branding data platform and R&D database;
 - approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to acquire more comprehensive market and industry data; and
 - approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for recruitment of additional staff for our R&D department;
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to expand our online media advertising services, consisting of:
 - approximately [REDACTED]%, or [REDACTED] is expected to be used to enhance our online advertising platform; and
 - approximately [REDACTED]%, or [REDACTED], is expected to be used to develop our in-house content production capabilities;

SUMMARY

- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to expand the geographical reach of our services, consisting of:
 - approximately [REDACTED]%, or HK\$[REDACTED] is expected to be used to set up our Beijing office; and
 - approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to set up our Shanghai office;
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to improve our brand recognition and increase our marketing efforts; and
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our working capital and general corporate purposes.

The above [REDACTED] of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the [REDACTED]. For further details, please refer to the section headed “Future Plans and Use of [REDACTED]” in this document.

In line with our plan to establish our branding data platform and R&D database, acquire market and industry data, recruit additional R&D staff, enhance our online advertising platform, develop our in-house content production capabilities, expand our branch offices and increase our marketing efforts, we expect that our financial results for the year ending 31 December 2023 will be affected by the increase in our operating expenses, including depreciation charges, staff costs and selling and marketing expenses, associated with our aforesaid expansion plan.

[REDACTED]

The estimated total [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] or RMB[REDACTED] (based on the [REDACTED] of the [REDACTED] of [REDACTED] per [REDACTED]), of which approximately RMB[REDACTED] is expected to be deducted from the equity. The estimated total [REDACTED] represent approximately [REDACTED] of the gross [REDACTED] from the [REDACTED]. It comprised (i) [REDACTED] expenses, including [REDACTED] of approximately HK\$[REDACTED]; and (ii) non-[REDACTED] expenses of approximately HK\$[REDACTED], including (a) fees payable to legal advisers and Reporting Accountants of HK\$[REDACTED]; and (b) other fees and expenses, including sponsor fees and the fees of other professional parties, of approximately HK\$[REDACTED]. Our Directors are of the view that our above fees or expenses are in line with the market rates. During the Track Record Period, we incurred [REDACTED] of approximately RMB[REDACTED]. We expect to incur additional [REDACTED] (including [REDACTED]) of approximately RMB[REDACTED] subsequent to 30 April 2023, which is expected to be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2023 and approximately RMB[REDACTED] is expected to be recognised as a deduction in equity directly. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

Our Directors consider that our financial results will be affected by the expenses in relation to the [REDACTED] as we expect to further recognise approximately RMB[REDACTED] million in the consolidated statements of profit or loss and comprehensive income for the year ending 31 December 2023. Accordingly, the financial performance for the year ending 31 December 2023 is expected to be adversely affected by the estimated expenses in relation to the [REDACTED].

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, we entered into 20, nil, 92, 64 and 55 contracts of our branding services, traditional offline media advertising services, online media advertising services, provision of advertisement placement services and event execution and production services, with an aggregate contract sum of approximately RMB34.9 million, nil, RMB12.4 million, nil and RMB18.9 million, respectively.

As at the Latest Practicable Date, we had a total of 173 ongoing projects with a total outstanding contract sum of approximately RMB12.2 million, of which:

- (i) there were 6 ongoing branding services projects, with an outstanding contract sum of approximately RMB2.9 million;
- (ii) there were 163 ongoing provision of advertisement placement services projects, of which the aggregate outstanding contract sum of five contracts were approximately RMB7.7 million, while no contract sum was stipulated in the remaining 158 framework agreements; and
- (iii) there were 4 event execution and production services project, with an outstanding contract sum of approximately RMB1.6 million.

For the eight months ended 31 August 2023, we recorded a moderate growth in revenue and there was an increase in the contract value for new projects of branding services and an increase in the number of new projects for the provision of advertisement placement services as compared with the corresponding period in 2022. Without considering the effect of the [REDACTED], we expect that there will be a moderate increase in our revenue for the year ending 31 December 2023 as compared to the previous year. The growth in the business segments of provision of branding services, event execution and production services and advertisement placement services (including rebates from Media Partner) is expected to continue to contribute to the financial performance of our Group for the year ending 31 December 2023.

Save for the [REDACTED] in connection with the [REDACTED], our Directors confirm that there had been no material adverse change in our financial or trading position since 30 April 2023, being the date of which our latest audited consolidated financial statements were made up, and up to the date of this [REDACTED].

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

The PRC Government announced a number of measures in January 2020 with a view to containing the COVID-19 outbreak, such as locking down major cities, imposing travel restrictions across cities and provinces, extension of the Lunar New Year public holiday and postponing the resumption of production in a wide spectrum of industries. As a result, our head office in Wuhan was temporarily closed on 22 January 2020 and we resumed work on 8 April 2020. The COVID-19 Outbreak led to the suspension of the business of our customers, thereby affecting their demand for our services. In the first half of 2022, new regional COVID-19

SUMMARY

Outbreak has hit certain areas in China which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions, city lockdown and temporary shutdown of business operations across certain regions. As a result of the resurgence of COVID-19 Outbreak, we experienced a few days of delay in receiving the services provided by certain of our suppliers located in these affected areas in April 2022. However, we have been able to honour all of our obligations to the relevant customers within the agreed schedules.

Although our customers are mainly based in the PRC during the Track Record Period, our Directors, after careful and due consideration, confirm that the COVID-19 Outbreak in the first half of 2020 and 2022 did not have material adverse impact on the business, financial conditions and result of operations of our Group for the following reasons:

- during the Track Record Period and up to the Latest Practicable Date, (a) we had been able to honour all of our obligations under the existing purchase orders with our customers; and (b) we did not experience any cancellation of orders or termination of contracts by our customers due to the COVID-19 Outbreak;
- as confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any material disruption of our procurement of advertising resources in light of COVID-19 Outbreak;
- whilst our business was affected temporarily in early 2020 in view of the COVID-19 Outbreak in the first half of 2020, our financial performance subsequently improved due to the effective control of COVID-19 in the PRC resulting in the increase in demand for our services. Our revenue increased from approximately RMB103.4 million for FY2020 to approximately RMB157.6 million for FY2021. While travel restrictions and city lockdown were imposed in certain regions in China during the first half of 2022, we strategically diverted our marketing efforts to other regions which were not or less impacted by the COVID-19 Outbreak and therefore we recorded an increase in revenue from approximately RMB157.6 million for FY2021 to approximately RMB207.2 million for FY2022. During 4M2023, we recorded an increase in revenue from approximately RMB60.7 million for 4M2022 to approximately RMB75.0 million for 4M2023 as all business operations resumed to normal during 4M2023; and
- according to Frost & Sullivan, with the effective control of COVID-19, the market has gradually recovered since the second half of 2020, and basically returned to normal in 2021. With the impact of the COVID-19 Outbreak, (a) the placement of advertisement on online media platforms have gained prevalence from advertisers and brand owners in the PRC as it reaches more target audience compared with other offline media platforms; (b) advertisers and brand owners have paid more attention to the effectiveness of advertising or marketing strategies; and (c) there is growing demand for integrated branding, advertising and marketing service, which is conducive for the advertisers or brand owners to facilitating the implementation of their brand promotion strategies. As a result, in the event of future recurrence of COVID-19 Outbreak, the market is expected to remain resilient and maintain a stable development in the future mainly due to the growing demands for various services in integrated branding, advertising and marketing service market.