

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 solution service provider based in Hubei Province, the PRC, providing full-scale services across the entire value chain from market research through collaboration with research institutes to execution of branding, advertising and marketing solutions 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 formulation, 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), comprising formulation of online advertisement placement plan, creation and production of online advertisement contents, operation of the customer's account, placement of online advertisements on the online media platforms and advertisements performance monitoring and optimization for our customers.

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.

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Our Directors believe that our full-scale services business model will allow us to enhance the competitiveness of our services as we can lower our customers’ costs and time in sales and marketing and improve our business efficiency as we can fully capture the business opportunities from each customer across the entire value chain.

Taking advantage of our capability in formulating branding, advertising and marketing solutions to our customers as well as our established market reputation and proven track record, we are experienced in offering tailor-made services to our customers through formulating branding, advertising and marketing proposals based on our analysis of market and industry

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data with a view to meeting the business needs and achieving the marketing objectives of our customers. During the Track Record Period, our branding, advertising and marketing solution services were offered to customers from different industries in the PRC, which include: (i) automobile manufacturing industry: a leading manufacturer of electric tricycles based in Jiangsu Province; (ii) household essentials manufacturing industry: a mattress manufacturing company headquartered in Hubei Province; (iii) medicine manufacturing industry: a national pharmaceutical group company specialised in R&D, production and sale of pharmaceuticals in the PRC, the shares of which are listed on the Shanghai stock exchange; (iv) beverage industry: a brewing company based in Hubei Province; and (v) advertising industry.

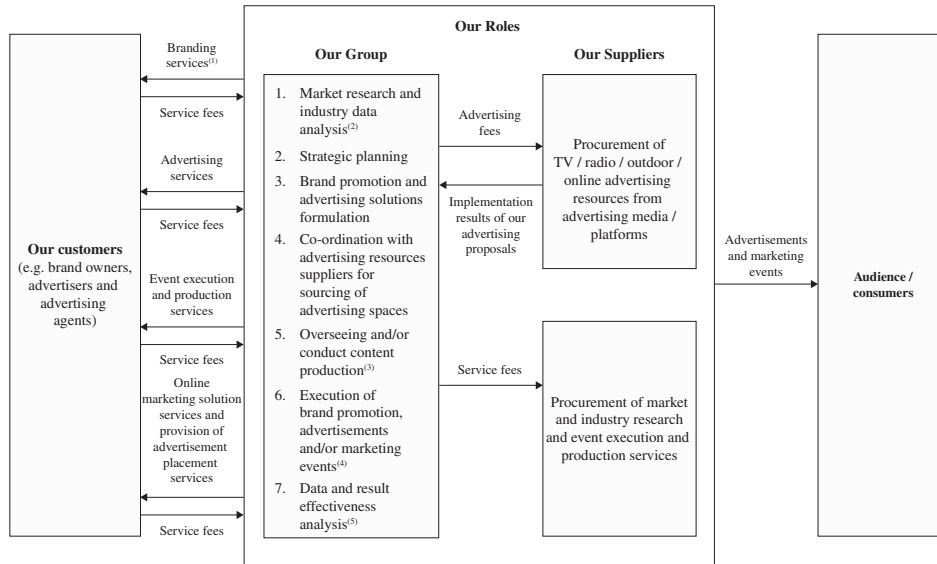
Due to the increasing demand for multi-channel advertising services and the rapid development of technology and the internet, we have expanded our advertising services to provide online media advertising services since 2018 and advertisement placement services since 2022. During the Track Record Period, 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, in particular, the Media Supplier, thereby enabling our Group to offer a wide range of online advertising resources and solutions 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. Our Group recorded a substantial growth in revenue from approximately RMB103.4 million in FY2020 to approximately RMB157.6 million in FY2021 and RMB205.4 million in FY2022, respectively, representing an increase of approximately 52.4% and 30.3%, respectively. Our net profit decreased from approximately RMB24.3 million in FY2020 to approximately RMB18.5 million in FY2021, mainly due to the increase in our administrative expenses and selling and marketing expenses resulting from the [REDACTED] and our business expansion. Our net profit increased by approximately 147.2% from approximately RMB18.5 million for FY2021 to approximately RMB45.7 million for FY2022, mainly attributable to the increase in gross profit as a result of the increase in revenue and the decrease in [REDACTED].

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OUR BUSINESS MODEL

The following chart sets forth our business model in providing branding, advertising and marketing solution 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.

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(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 supplier.

(4) For our provision of advertisement placement services, we will assist our customer to open an account on the advertising platform of the Media Supplier, and operate the account of the customers to place advertisements on the relevant online media platforms of the Media Supplier.

(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 Supplier’s platforms, and provide feedback to the customers. Therefore, we will not prepare any summary report at the end of the advertising period.

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	
	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	44.1
Traditional offline media advertising services	8,466	8.2	4,083	2.6	2,204	1.1
Online media advertising services	18,465	17.9	46,196	29.3	48,145	23.4
Event execution and production services	15,258	14.7	32,432	20.6	41,380	20.1
Provision of advertisement placement services	-	-	-	-	14,789	7.2
Rebates from media partner	-	-	-	-	8,421	4.1
Total	103,444	100.0	157,637	100.0	205,441	100.0

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

	FY2020		FY2021		FY2022	
	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)	RMB'000	Gross profit margin (%)
Branding services	33,727	55.1	39,219	52.3	50,172	55.4
Traditional offline media advertising services	882	10.4	483	11.8	292	13.2
Online media advertising services	2,970	16.1	6,787	14.7	15,339	31.9
Event execution and production services	5,306	34.8	11,182	34.5	14,272	34.5
Provision of advertisement placement services	-	-	-	-	14,789	100.0
Rebates from media partner	-	-	-	-	8,421	100.0
	42,885	41.5	57,671	36.6	103,285	50.3

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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 section headed “Business – Our operational workflow” for the duration of each workflow for the provision of branding services.

Our revenue generated from branding services increased from approximately RMB61.3 million for FY2020 to approximately RMB74.9 million for FY2021, primarily attributable to (i) the growing demand for our branding services following the outbreak of COVID-19; and (ii) the increase in revenue contribution of recurring customers as they recognised our branding services which can enhance their brands and increase its competitiveness. According to Frost & Sullivan, more small and medium enterprises gradually began to focus on strengthening and rebuilding own brand competitiveness to enhance their customer royalty. Meanwhile, according to Frost & Sullivan, more consumers become aware of brands, products and design, so the brand owners frequently reassess whether their brands and products can meet the market needs and obtain latest market data. Thus, the renewal of branding solutions also contributed to further growth of market demand in 2021. Apart from receiving branding services projects from new customers, in view of the ongoing and close relationship of the Group with its recurring customers, the Group had also received new branding service projects from its recurring customers, which further increased the number of branding services projects in FY2021. The number of projects increased from 66 in FY2020 to 76 in FY2021 and average revenue per project increased from approximately RMB928,000 in FY2020 to approximately RMB986,000 in FY2021. These were demonstrated by (i) the increase in revenue of approximately RMB4.4 million from a customer for FY2021, which is a beer and baijiu manufacturer; (ii) the increase in revenue of approximately RMB2.0 million from an electric vehicles and motorcycles manufacturer in the PRC; (iii) the increase in revenue of approximately RMB1.5 million from Yang Jiang Shi Ba Zi Scissors Company Limited (陽江十八子刀剪製品有限公司), a scissors manufacturer in the PRC; and (iv) the increase in revenue of approximately RMB2.7 million from Customer F, a company principally engaged in the beauty making and plastic surgery, which became one of our five largest customers in terms of revenue contribution for FY2021, primarily attributable to their strategies to strengthen their brands competitiveness in view of the recovery of the PRC economy in 2021 after the outbreak of COVID-19.

Our revenue generated from branding services increased from approximately RMB74.9 million for FY2021 to approximately RMB90.5 million for FY2022, primarily attributable to the increase in number of branding services projects from 76 in FY2021 to 88 in FY2022. Such increase was mainly attributable to the growing market demand for our branding services and the increase in revenue contribution of recurring customers as they recognised our branding services which can enhance their brands and increase its competitiveness.

There was no significant change in our gross profit margin of branding services during the Track Record Period, which amounted to approximately 55.1%, 52.3% and 55.4%, respectively. Since we generally adopt a cost-plus pricing approach in charging service fees to our customers according to our pricing policy, we maintained a stable gross profit margin during the Track Record Period.

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 section headed “Business – Our operational workflow” for the duration of each workflow for the provision of traditional offline media advertising services.

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Our revenue generated from traditional offline media advertising services decreased from approximately RMB8.5 million for FY2020 to approximately RMB4.1 million for FY2021, primarily attributable to (i) the decrease in our average contract sum as a result of the general decrease in market demand for traditional offline media advertising services in view of the rapid growth of online media in China; and (ii) our Group’s continued strategic focus on online media advertising services in response to the changing consumer behaviour and relatively lower gross profit margin of traditional offline media advertising services as compared to those of our Group’s other business segments.

Our revenue generated from traditional offline media advertising services decreased from approximately RMB4.1 million for FY2021 to approximately RMB2.2 million for FY2022, primarily attributable to the decrease in number of traditional offline media advertising services projects from 16 for FY2021 to 10 for FY2022 given our Group’s strategy to focus on online media advertising services and provision of advertisement placement services in response to the changing consumer behaviour.

Our gross profit margin of traditional offline media advertising services remained stable for FY2020 and FY2021, which amounted to approximately 10.4% and 11.8%, respectively, primarily attributable to the fact that we incurred similar costs in placing TV advertisements on television stations for FY2020 and FY2021. Since we will generally adopt a cost-plus pricing approach in charging service fees to our customers according to our pricing policy, we maintained a stable gross profit margin for FY2020 and FY2021.

The increase in gross profit margin of traditional offline media advertising services from approximately 11.8% for FY2021 to approximately 13.2% for FY2022 was mainly attributable to the engagement of some traditional offline media projects with higher gross profit margins during FY2022. It was mainly due to (i) the increasing scope of works and content in the advertisement for certain traditional offline media services and thus we could charge higher pricing to the customers; and (ii) obtaining lower procurement costs of certain advertising resources for certain traditional offline media services.

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 section headed “Business – Our operational workflow” for the duration of each workflow for the provision of online media advertising services.

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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 revenue generated from online media advertising services increased from approximately RMB18.5 million for FY2020 to approximately RMB46.2 million for FY2021, primarily attributable to the growing demand for advertising due to the increase in number of online media advertising services projects from 27 in FY2020 to 72 in FY2021 as a result of (i) market recovery after the outbreak of COVID-19; (ii) our Group’s continued strategic shift to focus on this segment; and (iii) the general increase in demand from advertisers for online media advertising as a result of the rapid development of live streaming and e-commerce since the outbreak of COVID-19. According to Frost & Sullivan, as affected by the outbreak of COVID-19 in 2020, live streaming and e-commerce have become popular and these two businesses have been experiencing a rapid development since 2020. Advertisers were more inclined to conduct advertising and marketing through online platforms with large amounts of user traffic, thus further promoting the development of the online media advertising market. Such increase was evidenced by the increase in revenue contribution from (i) the new customers by approximately RMB20.4 million; (ii) Customer F by approximately RMB5.5 million; and (iii) an existing customer, a company principally engaged in e-commerce business by approximately RMB2.9 million.

Our revenue generated from online media advertising services increased from approximately RMB46.2 million for FY2021 to approximately RMB48.1 million for FY2022, primarily attributable to the revenue contribution of approximately RMB9.1 million from new advertising agents for FY2022, which approached us to place online advertisements on popular media platforms in the PRC because of the increasing demand from the end customers of these advertising agents. Given the increasing popularity and large audience base of online media, advertisers were more inclined to conduct advertising and marketing through online platforms with large amounts of user traffic, thus further promoting the development of the online media advertising market.

Our gross profit margin of online media advertising services decreased slightly from approximately 16.1% for FY2020 to approximately 14.7% for FY2021, mainly attributable to the offer of relatively competitive prices to new customers to expand our customer base during FY2021. Our gross profit margin of online media advertising services increased from approximately 14.7% for FY2021 to approximately 31.9% for FY2022, mainly because we recognised revenue generated from new advertising agents under online media advertising services on a net basis, with such revenue amounted to approximately RMB9.1 million. Excluding such revenue, our gross profit margin of online media advertising services would be approximately 15.9%. We will generally adopt a cost-plus pricing approach in charging service fees to our customers according to our pricing policy.

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 full-scale 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 section headed “Business – Our operational workflow” for the duration of each workflow for the provision of event execution and production services.

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Our revenue generated from event execution and production services increased from approximately RMB15.3 million for FY2020 to approximately RMB32.4 million for FY2021, primarily attributable to the net effect of (i) the general restriction of such services during the outbreak of COVID-19 for FY2020; (ii) the increase in average contract sum of our event execution and production projects in FY2021; and (iii) emergence of the integration of new media which covered scene activities, online media and other marketing methods. According to Frost & Sullivan, in 2021, the economic activities and public transport services were basically resumed in China, and scene activities, such as cultural events, exhibitions and conferences resumed normal operations. Therefore, the rapid recovery of offline scene activities in 2021 drove the rapid growth of event execution and production service market in the PRC. According to Frost & Sullivan, in view of the integration of various new media becoming popular in recent years, the advertisers will select different means of marketing such as scene activities and internet marketing to implement an effective marketing campaign. As a result, the number of projects increased from 58 in FY2020 to 101 in FY2021 and average revenue per project increased from approximately RMB263,000 in FY2020 to approximately RMB321,000 in FY2021.

Our revenue generated from event execution and production services increased from approximately RMB32.4 million for FY2021 to approximately RMB41.4 million for FY2022, primarily attributable to the increase in revenue generated from Follow-up Engagements as our Group had focused its effort on exploring business opportunities from existing customers which had previously engaged our Group for branding services.

Our gross profit margin of event execution and production services for FY2020, FY2021 and FY2022 remained stable at approximately 34.8%, 34.5% and 34.5%, respectively.

Provision of advertisement placement services (including rebates from media partner)

We commenced to provide advertisement placement services in FY2022 and hence no revenue was generated from this segment in FY2020 and FY2021. For FY2022, we generated revenue of approximately RMB23.2 million from the provision of advertisement placement services (including rebates from media partner) which represented approximately 11.3% of our total revenue in aggregate.

For our provision of advertisement placement services (including rebate from media partner), we recognised revenue on a net basis. As such, we did not record any cost in our cost of services and therefore the gross profit of this segment was the same as the revenue.

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.

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

	FY2020			FY2021			FY2022		
	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 (%)
Brand									
owners and advertisers	64	97,207	94.0	94	147,883	93.8	90	160,650	78.2
- Private enterprises	38	86,966	84.1	70	131,197	83.2	76	145,787	71.0
- State-owned enterprises	7	3,883	3.8	9	9,170	5.8	5	7,632	3.7
- Government authorities	19	6,358	6.1	15	7,516	4.8	9	7,231	3.5
Advertising agents	2	6,237	6.0	10	9,754	6.2	87	44,791	21.8
Total	66	103,444	100.0	104	157,637	100.0	177	205,441	100.0

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For FY2020, FY2021 and FY2022, revenue generated from our largest customer in each year during the Track Record Period amounted to approximately RMB17.9 million, RMB8.7 million and RMB13.6 million, representing approximately 17.3%, 5.5% and 6.6% of our total revenue, respectively. Revenue generated from our five largest customers in each year during the Track Record Period amounted to approximately RMB54.1 million, RMB41.4 million and RMB55.4 million, representing approximately 52.2%, 26.2% and 27.0% of our total revenue, respectively. Our five largest customers in each year 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 for the Track Record Period. Please refer to the section headed “Business – Customers” for details of our five largest customers in each year 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.

The following table sets out the number of and the breakdown of revenue by our recurring and new customers during the Track Record Period:

	FY2020			FY2021			FY2022		
	No. of customer (Note 3)	Revenue (RMB'000)	% of total revenue %	No. of customer (Note 3)	Revenue (RMB'000)	% of total revenue %	No. of customer (Note 3)	Revenue (RMB'000)	% of total revenue %
Recurring customers^(Note 1)	50	68,461	66.2	49	114,568	72.7	56	153,560	74.7
- Branding services	12	38,163	36.9	24	60,141	38.2	39	78,298	38.1
- Traditional offline media advertising services	7	4,416	4.3	6	2,833	1.8	7	1,626	0.8
- Online media advertising services	8	10,916	10.5	12	25,760	16.3	25	35,018	17.0
- Event execution and production services	33	14,966	14.5	36	25,834	16.4	31	38,618	18.8
- Provision of advertisement placement services	-	-	-	-	-	-	-	-	-
- Rebates from media partner	-	-	-	-	-	-	-	-	-
New customers^(Note 2)	16	34,983	33.8	55	43,069	27.3	121	51,881	25.3
- Branding services	5	23,092	22.3	15	14,785	9.3	13	12,204	6.0
- Traditional offline media advertising services	4	4,050	3.9	7	1,250	0.8	1	578	0.3
- Online media advertising services	2	7,549	7.3	24	20,436	13.0	11	13,127	6.4
- Event execution and production services	7	292	0.3	30	6,598	4.2	15	2,762	1.3
- Provision of advertisement placement services	-	-	-	-	-	-	87	14,789	7.2
- Rebates from media partner	-	-	-	-	-	-	-	8,421	4.1
Total	66	103,444	100.0	104	157,637	100.0	177	205,441	100.0

Notes:

1. Recurring customers refer to customers which engaged our Group for branding, advertising or event execution and production services one year prior to the year indicated.
2. New customers refer to customers which did not engage our Group for branding, advertising or event execution and production services one year prior to the year indicated.
3. Certain recurring customers/new customers engaged our Group for more than one project type, and as such there are discrepancies between the total number of recurring/new customers and the breakdown of the number of customers by project types.

During the Track Record Period, revenue contributed by our recurring customers increased from approximately 66.2% of our total revenue for FY2020 to approximately 72.7% of our total revenue for FY2021. Our revenue contributed by recurring customers for FY2022

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remained relatively stable at 74.7%. The proportion of revenue contributed by our recurring customers increased in FY2021 and FY2022 as a result of our marketing effort in promoting our business and Follow-up Engagements from our branding customers, which was offset by the decrease in revenue contributed by the recurring customers of our traditional offline media advertising services in FY2021 and FY2022. For FY2021, the significant increase in revenue contribution by our recurring customers was mainly due to (i) the increase in their recognition of our branding services that can enhance their brands and increase their competitiveness; (ii) the increase in their advertising budget in promoting their businesses; and (iii) the increase in average contract sum of our event execution and production projects. Our five largest customers for FY2021 were recurring customers, in particular, revenue contribution from (i) Customer E increased by approximately RMB2.8 million for FY2021; (ii) Customer F increased by approximately RMB8.2 million for FY2021; and (iii) Customer D increased by approximately RMB0.3 million for FY2021. Please refer to the paragraph headed “Business – Customers – FY2021” in this document for details of the background of our five largest customers for FY2021. Among our recurring customers, certain of our branding customers in FY2020 further engaged us for our offline and online advertising services and/or event execution and production services in FY2021 as Follow-up Engagements for the execution of the branding proposals previously provided by our Group to them, meaning that we have provided a wider scope of services to these recurring customers in FY2021. The amount of revenue from Follow-up Engagements for online media advertising services increased from approximately RMB12.2 million for FY2020 to approximately RMB22.3 million for FY2021, while the revenue from Follow-up Engagements for event execution and production services increased from approximately RMB13.7 million for FY2020 to approximately RMB19.2 million for FY2021. For FY2022, the significant increase in revenue contribution by our recurring customers was mainly due to (i) the increase in their recognition of our branding services that can enhance their brands and increase their competitiveness; (ii) the increase in their advertising budgets in promoting their businesses; and (iii) the increase in average contract sum of our event execution and production projects. Our five largest customers for FY2022 were recurring customers, in particular, as compared with FY2021, revenue contribution from (i) Customer A increased by approximately RMB4.3 million for FY2022; (ii) Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司) increased by approximately RMB2.6 million for FY2022; (iii) Customer D increased by approximately RMB5.5 million for FY2022; (iv) Customer E increased by approximately RMB0.8 million for FY2022; and (v) Customer G increased by approximately RMB2.5 million for FY2022. Please refer to the section headed “Business – Customers – FY2022” for details of the background of our five largest customers for FY2022 in this document.

The following table sets out a breakdown of the revenue by locations of our customers during the Track Record Period:

	FY2020		FY2021		FY2022	
	RMB'000	Approximate % of total revenue (%)	RMB'000	Approximate % of total revenue (%)	RMB'000	Approximate % of total revenue (%)
Shanghai	–	–	682	0.4	5,396	2.6
Beijing	463	0.4	1,247	0.8	4,356	2.1
Jilin	–	–	4,424	2.8	3	0.1
Anhui	37	0.0	1,034	0.7	1,444	0.7
Shandong	–	–	1,955	1.2	6,794	3.3
Guangdong	4,133	4.0	5,512	3.6	4,649	2.3
Jiangsu	16,588	16.0	19,880	12.6	28,465	13.9
Jiangxi	–	–	–	–	900	0.4
Hainan	–	–	2,933	1.9	3,571	1.7
Hebei	–	–	1,003	0.6	2,111	1.0
Hubei	71,879	69.6	115,688	73.3	125,927	61.3
Fujian	10,344	10.0	2,566	1.6	6,206	3.0
Zhejiang	–	–	713	0.5	12,243	6.0
Sichuan	–	–	–	–	1,565	0.8
Chongqing	–	–	–	–	1,297	0.6
Others (note 1)	–	–	–	–	514	0.2
Total	103,444	100.0	157,637	100.0	205,441	100.0

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Note:

1. “Others” included Shaanxi, Liaoning, Inner Mongolia, Ningxia, Guangxi, Xinjiang, Henan, Hunan, Gansu, Qinghai and Heilongjiang.

During the Track Record Period, there was a substantial increase in revenue contributed by our customers located in Hubei Province, Jiangsu Province and Zhejiang Province. Riding on our market position as a branding, advertising and marketing solution service provider in Hubei Province and leveraging on our established long-standing relationships with major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province, we recorded revenue contributed by customers located in Hubei Province in the amount of approximately RMB71.9 million, RMB115.7 million and RMB125.9 million for FY2020, FY2021 and FY2022, respectively. In particular, Customer A contributed approximately RMB17.9 million for FY2020. As a result of the full recovery of the market from COVID-19 in FY2021, there was a growing demand in our services in Hubei Province, leading to a substantial increase in revenue generated from customers located in Hubei in FY2021. Jiangsu Province is also one of the locations where some of our key customers are located, including a leading manufacturer of electric tricycles based in Jiangsu Province, which have increased their marketing budget for our services along with their business expansion. Revenue generated from customers in Jiangsu Province amounted to approximately RMB16.6 million, RMB19.9 million and RMB28.5 million for FY2020, FY2021 and FY2022, respectively. Our revenue from Zhejiang Province increased significantly from approximately RMB0.7 million for FY2021 to approximately RMB12.2 million for FY2022, which was mainly due to the commencement of our provision of advertisement placement services in FY2022 and we secured new projects for provision of advertisement placement services from customers in Zhejiang Province in FY2022.

On the other hand, our revenue generated from customers located in Fujian decreased from approximately RMB10.3 million for FY2020 to approximately RMB2.6 million for FY2021. Our revenue generated from customers located in Fujian increased from approximately RMB2.6 million for FY2021 to RMB6.2 million for FY2022. The decrease in FY2021 was due to one of our Fujian customers which is an advertising agent. The decrease in FY2021 was primarily attributable to the change in the end-customers’ marketing needs from over-the-top video advertising in FY2020 to online platforms such as Douyin in FY2021 and this advertising agent switched to other media resources suppliers which may provide lower prices for placing advertisements on online platforms, resulting in its decreasing purchase from the Group. Such customer contributed approximately RMB6.2 million, RMB1.8 million and RMB4.0 million to our revenue for FY2020, FY2021 and FY2022, respectively. For FY2022, the increase in revenue generated from customers located in Fujian was primarily due to the increase in number of projects from 4 for FY2021 to 20 for FY2022 as a result of the end customers of such advertising agent customer increased their marketing budget.

SUMMARY

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 January 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. 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 [REDACTED] 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 and 4 projects which in aggregate contributed approximately RMB1.7 million, RMB2.8 million and RMB2.9 million to our revenue for FY2020, FY2021 and FY2022, respectively.

SUMMARY

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

MARKET AND COMPETITION

According to Frost & Sullivan, the integrated branding, advertising and marketing solution 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 7.9% from 2022 to 2027, reaching approximately RMB1,538.0 billion by the end of 2027. There were approximately 190 integrated branding, advertising and marketing solution 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 solution service market in China. The top five market players are listed companies which mainly provide full-scale marketing services and advertising services. For details, please refer to the section headed “Industry Overview – Overview of integrated branding, advertising and marketing solution 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 solution service.

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 full-scale and quality branding, advertising and marketing solution 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 well-established business relationships with customers from diverse industries; and
- we have an experienced management team with in-depth industry expertise.

SUMMARY

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below set out, for the years 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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	FY2020 RMB'000	FY2021 RMB'000	FY2022 RMB'000
Revenue	103,444	157,637	205,441
Cost of services	(60,559)	(99,966)	(102,156)
Gross profit	42,885	57,671	103,285
Other income	1,272	954	402
Selling and marketing expenses	(2,663)	(4,601)	(6,406)
Administrative expenses	(10,231)	(20,148)	(29,544)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(Provision for)/reversal of expected credit loss on financial and contract assets, net	(1,031)	1,362	(5,935)
Finance costs	(462)	(693)	(1,457)
Profit before income tax expense	29,679	23,156	55,610
Income tax expense	(5,358)	(4,682)	(9,951)
Profit for the year	<u>24,321</u>	<u>18,474</u>	<u>45,659</u>
Profit attributable to:			
– Owners of the Company	24,228	18,474	45,659
– Non-controlling interests	93	–	–
	<u>24,321</u>	<u>18,474</u>	<u>45,659</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 as a 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 provide useful information to potential investors 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.

We define adjusted profit, being a non-HKFRS measure, as profit for the year adjusted by [REDACTED]. Given that [REDACTED] were incurred for the purpose of the [REDACTED], this item will not exist after [REDACTED].

While adjusted profit as a non-HKFRS measure provides additional information to potential investors in understanding and evaluating our results of operations, the use of adjusted profit as a non-HKFRS measure has certain limitations as an analytical tool. When assessing our operating and financial performance, you should not consider adjusted profit as a 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.

SUMMARY

The following table sets forth a reconciliation of our Group’s net profits for the years to our adjusted profit as a non-HKFRS measure for the years indicated:

	FY2020	FY2021	FY2022
Profit for the year (<i>RMB’000</i>)	24,321	18,474	45,659
Adding back: [REDACTED] (<i>RMB’000</i>)	91	11,389	4,735
Adjusted profit (<i>RMB’000</i>)	24,412	29,863	50,394

Our revenue increased from approximately RMB103.4 million for FY2020 to approximately RMB157.6 million for FY2021, which was primarily attributable to the increase in revenue from the provision of branding services, online media advertising services and event execution and production services 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) our Group’s enhanced sales efforts to explore more potential customers; and (iii) the general increase in demand from advertisers for online media advertising and our Group’s continued strategic shift to focus on this segment. The increase in revenue was partially offset by the decrease in revenue from the provision of traditional offline media advertising services as a result of our Group’s strategy to focus on online media advertising services.

Our revenue increased from approximately RMB157.6 million for FY2021 to approximately RMB205.4 million for FY2022, primarily attributable to the increase in revenue from the provision of online media advertising services, branding services, event execution and production services and advertisement placement services (including rebates from media partner) as a result of the growing market demand for our branding, advertising and marketing services. According to the National Bureau of Statistics, online retail sales in the PRC increased to approximately RMB13,785.3 billion in 2022 from approximately RMB7,175.1 billion in 2017, representing a CAGR of approximately 14.0%. The growth of online retail sales in the PRC stimulated more customers to select our online media advertising services and advertisement placement services to place advertisements to boost up their sales.

As a result of the increase in revenue arising from the growing demand for our branding, advertising and marketing services after the stabilisation of COVID-19, our strategic shift to focus on online media advertising services and our enhanced sales effort to explore more potential customers as discussed above, 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 as discussed above. Our net profits 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.

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

Selected items of consolidated statements of financial position

	As at 31 December		
	2020	2021	2022
	(<i>RMB’000</i>)	(<i>RMB’000</i>)	(<i>RMB’000</i>)
Total current assets	59,472	68,220	128,688
Trade receivables	22,972	32,040	102,602
Deposits, prepayments and other receivables	22,293	5,491	20,586
Total current liabilities	19,430	32,255	62,416
Trade payables	8,513	10,803	7,908
Accruals and other payables	2,746	7,119	7,206
Borrowings	5,200	10,789	37,224
Net current assets	40,042	35,965	66,272
Total non-current assets	18,962	21,486	33,980
Plant and equipment	7,958	6,611	17,958
Right-of-use assets	4,187	3,010	1,804

SUMMARY

	As at 31 December		
	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)
Intangible assets	5,824	4,734	3,569
Prepayments	–	6,000	9,000
Total non-current liabilities	6,546	8,982	6,124
Lease liabilities	4,485	2,840	996
Borrowings	–	3,400	719
Deferred tax liabilities	2,061	2,742	4,409
Non-controlling interests	1,778	–	–
Total equity or net assets	52,458	48,469	94,128

Our net current assets decreased from approximately RMB40.0 million as at 31 December 2020 to approximately RMB36.0 million as at 31 December 2021, primarily attributable to the increase in the current liabilities, partially offset by the increase in the current assets. The increase in our current liabilities was primarily attributable to (i) the increase in borrowings from banks by approximately RMB5.6 million; (ii) the increase in accruals and other payables by approximately RMB4.4 million as a result of the increase in accrued [REDACTED]; and (iii) the increase in trade payables, which was in line with our business expansion. The increase in our current assets was primarily attributable to (i) the increase in cash and cash equivalents by approximately RMB18.1 million generated from our operation; and (ii) the increase in trade receivables by approximately RMB9.1 million resulting from the business expansion, which was partially offset by the decrease in deposits, prepayments and other receivables by approximately RMB16.8 million, mainly due to the settlement of the loan receivables during the year. Our net assets decreased from approximately RMB52.5 million as at 31 December 2020 to approximately RMB48.5 million as at 31 December 2021, mainly driven by the deemed distribution of approximately RMB20.8 million in 2021 as a result of our Reorganisation. For details, please refer to the section headed “Consolidated Statements of Changes in Equity” as set out in Appendix I to this document. Such decrease was partially offset by our Group’s profit of approximately RMB18.5 million for FY2021.

Our net current assets increased from approximately RMB36.0 million as at 31 December 2021 to approximately RMB66.3 million as at 31 December 2022, primarily attributable to the increase in the current assets, which was partially offset by the increase in the current liabilities. The increase in the current assets was primarily attributable to (i) the increase in trade receivables mainly due to the increase in our revenue generated near year end; and (ii) the increase in deposits, prepayments and other receivables mainly as a result of the increase in our deposits paid to the Media Supplier for our provision of advertisement placement services, which was partially offset by the decrease in cash and cash equivalents primarily due to (i) the increase in our deposits made to the Media Supplier for our provision of advertisement placement services; and (ii) the increase in our property, plant and equipment to support our provision of advertisement placement services. The increase in current liabilities was primarily attributable to (i) the increase in bank and other borrowings; (ii) the increase in contract liabilities resulting from the increase in advance payments from our customers near year end; and (iii) the increase in income tax payable due to the increase in profit before income tax, which were partially offset by the decrease in trade payables resulting from the settlement of trade payables by our Group during FY2022.

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 increase in the current assets and non-current assets, which was partially offset by the increase in the current liabilities. The reasons for the increase in current assets and current liabilities have been set out in the above paragraph. The increase in the non-current assets was primarily attributable to (i) the increase in broadcasting equipment which are mainly used for the design and production of short advertisement videos for placing on the online media platforms of the Media Supplier and the implementation and execution of our events execution and production services to promote the brands, products and/or services of our customers; (ii) the increase in office equipment for daily business operations; (iii) the increase in motor vehicles as we acquired three vehicles for business development purposes; and (iv) the increase in leasehold improvements for the renovation of our office in Macheng and a live room in our office in Wuhan.

SUMMARY

Selected items of consolidated statements of cash flows

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>	FY2022 <i>(RMB'000)</i>
Net cash generated from operations before changes in working capital	33,005	26,302	69,728
Changes in working capital	(1,627)	(3,487)	(92,905)
Income tax paid	(3,027)	(4,405)	(6,081)
Net cash generated from/(used in) operating activities	28,351	18,410	(29,258)
Net cash (used in)/generated from investing activities	(2,358)	13,388	(18,702)
Net cash (used in)/generated from financing activities	<u>(14,244)</u>	<u>(13,666)</u>	<u>20,631</u>
Net increase/(decrease) in cash and cash equivalents	11,749	18,132	(27,329)
Cash and cash equivalents at beginning of the year	<u>322</u>	<u>12,071</u>	<u>30,203</u>
Cash and cash equivalents at end of the year	<u><u>12,071</u></u>	<u><u>30,203</u></u>	<u><u>2,874</u></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 Supplier 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.

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		
	2020	2021	2022
Gross profit margin	41.5%	36.6%	50.3%
Net profit margin	23.5%	11.7%	22.2%
Gearing ratio	21.3%	38.6%	43.3%
Current ratio	3.1 times	2.1 times	2.1 times
Return on equity	46.4%	38.1%	48.5%
Return on assets	31.0%	20.7%	28.1%
Interest coverage ratio	271.7 times	53.8 times	44.4 times
Net debt to equity ratio	Net cash	Net Cash	39.9%

Our gross profit margin decreased from approximately 41.5% for FY2020 to approximately 36.6% for FY2021, primarily due to the decrease in revenue contribution of branding services which had higher gross profit margins than other services. Our gross profit margin increased from approximately 36.6% for FY2021 to approximately 50.3% for FY2022, mainly due to (i) the increase in revenue generated from branding services which entailed higher gross profit margin; and (ii) the increase in revenue contribution from provision of advertisement placement services (including rebates from media partner), which was recognised on a net basis. Excluding those revenue recognised on a net basis, our gross profit margin for FY2022 would be approximately 41.0%.

Our net profit margin decreased from approximately 23.5% for FY2020 to approximately 11.7% for FY2021 as a result of the increased [REDACTED]. For FY2022, our net profit margin increased to approximately 22.2%, primarily attributable to (i) the increase in our gross profit due to the increase in our revenue; and (ii) the decrease in [REDACTED], which were partially offset by (i) the increase in administrative expenses; (ii) the increase in provision of expected credit loss on financial and contract assets, net; and (iii) the increase in selling and marketing expenses.

Our gearing ratio increased from approximately 21.3% as at 31 December 2020 to approximately 38.6% and 43.3% as at 31 December 2021 and 2022, respectively, which was primarily attributable to the increase in bank borrowings.

Our current ratio decreased from approximately 3.1 times as at 31 December 2020 to approximately 2.1 times as at 31 December 2021, which was primarily due to the increase in trade payables and bank borrowings as well as the increase in accruals and other payables as a result of the increase in [REDACTED]. Our current ratio as at 31 December 2022 remained stable at approximately 2.1 times.

For details, please refer to the section headed “Financial Information – Key financial ratios” in this document.

SUMMARY

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 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
- our business may be affected by seasonal fluctuations in demand for our branding, advertising and marketing solution 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] INVESTMENTS

We undertook the [REDACTED] Investments in preparation of the [REDACTED]. Immediately after the completion of the [REDACTED] and the [REDACTED], the [REDACTED] Investors, 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] Investors 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 section headed “History, Reorganisation and Corporate Structure – [REDACTED] Investment” in this document.

SUMMARY

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 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 has 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.

[REDACTED]

	Based on minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED].
- (2) The unaudited [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.

SUMMARY

[REDACTED]

We estimate the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document), 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 HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] range):

SUMMARY

- 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 HK\$[REDACTED] is expected to be used to enhance our online advertising platform; and
 - approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used to develop our in-house content production capabilities;
- 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;
- approximately [REDACTED]%, or HK\$[REDACTED], is expected to be used for repayment of part of our bank loans; and
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our working capital and general corporate purposes.

The above allocation 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] range. For further details, please refer to the section headed “Future Plans and [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 HK\$[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 [REDACTED] from the [REDACTED]. It comprised (i) [REDACTED] including [REDACTED] of approximately HK\$[REDACTED]; and (ii) [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

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parties, of approximately HK\$12.8 million. 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 31 December 2022, 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.

Our Directors consider that our financial results will be affected by the expenses in relation to the [REDACTED] as we expect to recognise approximately RMB[REDACTED] 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 31, nil, 82, 181 and 54 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 RMB57.1 million, nil, RMB18.1 million, RMB24.5 million (which only included the outstanding contract sum of five contracts of provision of advertisement placement services, while no contract sum was stipulated in the remaining 176 framework agreements) and RMB21.1 million, respectively.

As at the Latest Practicable Date, we had a total of 226 ongoing projects with a total outstanding contract sum of approximately RMB28.3 million, of which:

- (i) there were 23 ongoing branding services projects, with an outstanding contract sum of approximately RMB11.5 million;

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- (ii) there were 4 online media advertising projects, with an outstanding contract sum of approximately RMB0.5 million;
- (iii) there were 182 ongoing provision of advertisement placement services projects, of which the aggregate outstanding contract sum of five contracts were approximately RMB15.9 million, while no contract sum was stipulated in the remaining 177 framework agreements; and
- (iv) there were 17 event execution and production services projects, with an outstanding contract sum of approximately RMB0.3 million.

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 31 December 2022, being the date of which our latest audited consolidated financial statements were made up, and up to the date of this document.

While our financial results for the year ending 31 December 2023 will be affected by the [REDACTED], we expect to record a moderate growth in revenue for the same year based on our financial results for the year ended 31 December 2022. Following the continued expansion of our provision of advertisement placement services and 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, acquire equipment and software for in-house content production, expand our branch offices and increase our marketing efforts, our operating expenses including depreciation charges, staff costs and selling and marketing expenses, are expected to increase accordingly. As such, our Directors expect that our net profit for the year ending 31 December 2023 may experience a decrease as compared to that for the year ended 31 December 2022, primarily attributable to the increase in our operating expenses associated with our aforesaid expansion plan which is partially offset by the growth in our revenue.

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 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 lockdowns 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 the COVID-19 Outbreak;

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- 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 lockdowns 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 RMB205.4 million for FY2022;
- 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, (i) 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; (ii) advertisers and brand owners have paid more attention to the effectiveness of advertising or marketing strategies; and (iii) there is growing demand for integrated branding, advertising and marketing solution 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 solution service market.

Effects of the COVID-19 Outbreak on our business strategies

While the integrated branding, advertising and marketing solution service market in the PRC may have experienced short-term slowdown as a result of the COVID-19 Outbreak, given the rapid development of the PRC’s advertising market and the emergence of diversified advertising media including TV advertising, outdoor media advertising and online media advertising, we believe that the demand for integrated branding, advertising and marketing solution service will remain high. According to Frost & Sullivan, with the effective control of COVID-19 pandemic, the market has gradually recovered since the second half of 2020, and basically returned to normal in 2021. With the impact of COVID-19 Outbreak, (i) 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 than other offline media platforms; (ii) advertisers and brand owners have paid more attention to the effectiveness of advertising or marketing strategies; and (iii) there is growing demand for integrated branding, advertising and marketing solution 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 maintain a stable development in the future mainly due to the growing demands for various services in the integrated branding, advertising and marketing solution service market. The integrated branding, advertising and marketing solution service market in the PRC is expected to maintain a rapid development, with the total expenditure reaching approximately RMB1,538.0 billion by the end of 2027, representing a CAGR of approximately 7.9% from 2022 to 2027. The outlook for the integrated branding, advertising and marketing solution service in China thus remains positive. With the control of COVID-19 in the second half of 2020, we did not experience (i) any material delay of projects or cancellation of orders or termination of contracts by our customers; (ii) any material delay or interruption in the supply of advertising media resources by our suppliers; or (iii) closure of our office due to the COVID-19 Outbreak since the second half of 2020 and up to the Latest Practicable Date. Although we experienced a few days of delay in receiving the services provided by certain of our suppliers located in certain affected areas due to the resurgence of the COVID-19 Outbreak in the first half of 2022, we have been able to honour all of our obligations to the relevant customers within the agreed schedules. In view of the stabilisation of the COVID-19 situation in the PRC and the growth potential of the integrated branding, advertising and marketing solution market in the PRC, we believe that our business strategies as discussed in the paragraph headed “Business – Business strategies” in this document are feasible, and it is unlikely that there is a material impact on changing the use of the [REDACTED] from the [REDACTED] as disclosed in the section headed “Future Plans and [REDACTED]” in this document as a result of the COVID-19 Outbreak.