
BUSINESS

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.

BUSINESS

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.

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.

BUSINESS

Our management team, in particular, Mr. Chen, Ms. Wang and Ms. Xue, our executive Directors, have implemented effective business strategies to position our Group as a branding, advertising and marketing solution service provider. Under their leadership, we have diversified our service offering, enhanced our advertising resources in various media platforms, strengthened our operational capabilities and expanded our client base to include brand owners, advertisers and advertising agents across different industries in the PRC throughout the Track Record Period. During the period from 29 January 2016 to 17 April 2019, the shares of Huashi Media, our indirect wholly-owned subsidiary, were quoted on the NEEQ.

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 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.

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. During the Track Record Period, revenue contributed by our recurring customers increased significantly from approximately 66.2% of our total revenue for FY2020 to approximately 72.7% of our total revenue for FY2021 and remained stable at approximately 74.7% of our total revenue for FY2022. We believe our past cooperation experience with these customers contributed to our understanding and familiarity of their backgrounds, specific needs and expectations on our services, which in turn ensures a smooth and efficient working process when they return to us. Moreover, we believe our recurring customers have a good understanding of our strengths and capabilities that certain of these recurring customers have substantially increased their marketing budget for our services and/or engaged us for more service types. For example, certain customers engaged us to prepare and implement advertising and/or event execution and production proposals after engaging us to provide branding services. During the Track Record Period, revenue generated from our customers which requested us to provide more than one service for the same year amounted to approximately RMB75.2 million, RMB120.7 million and RMB136.6 million, respectively, representing approximately 72.7%, 76.6% and 66.5% of our total revenue, respectively. Our Directors expect that these recurring customers will continue to contribute to our growth in the future.

BUSINESS

During the Track Record Period, we have increased our marketing effort and achieved business growth by expanding the geographic reach of our services to various provinces in the PRC. We have entered into the Anhui market since FY2020 and the markets in Shanghai, Jilin Province, Hebei Province and Zhejiang Province since FY2021. In FY2022, we have entered into the markets of Jiangxi, Sichuan, Chongqing, Shaanxi, Liaoning, Inner Mongolia, Ningxia, Guangxi, Xinjiang, Henan, Hunan, Gansu, Qinghai and Heilongjiang. For FY2020, FY2021 and FY2022, we generated a total revenue of approximately RMB37,000, RMB6.8 million and RMB4.3 million, respectively from these new markets due to our continuous marketing efforts. To sustain our growth, we plan to expand the geographical reach of our services in Northern China and Eastern China by establishing offices in Beijing and Shanghai, details of which are set out in the paragraph headed “Business strategies – Expand the geographical reach of our services” in this section.

During the Track Record Period, there was also 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. 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.

With over 10 years of operating history, we have established solid and strategic relationships with suppliers of a wide range of advertising resources, including major TV station operators, online social media, e-commerce and OTT platforms and owners or agents of outdoor advertising spaces in shopping malls, buses, and subway in the PRC. In particular, we have been appointed by a state-owned national broadcaster in the PRC, as its authorised advertising agency for seven consecutive years since 2016. We have also established long-standing relationships for approximately four to six years with other major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province, Hunan Province, Zhejiang Province, Shanghai and Beijing, such as a radio and television advertising corporation based in Hunan Province, a radio and television group based in Zhejiang Province, an internet information service company based in Hubei Province, an information technology company based in Shanghai and a media resources company based in Beijing. These long-established relationships give us competitive edge in securing valuable

BUSINESS

advertising resources such as (i) TV advertising time slots during prime time; (ii) online advertising resources in popular online social media, e-commerce and OTT platforms; and (iii) the most updated and first-hand information regarding the advertising resources available across different media platforms and channels. Please refer to the paragraph headed “Suppliers – Agreements with our suppliers” in this section for the salient terms of contracts we entered into with our suppliers. For our provision of advertisement placement services, we have entered into a cooperation agreement with a renowned Chinese internet technology company which operates various popular online media platforms in the PRC. For details, please refer to the paragraph headed “Our principal business – Provision of Advertisement placement services” in this section.

Although we have only started providing online media advertising services since 2018, leveraging our existing business network and experience in the advertising industry, we were able to secure placement of advertisements from our customers and online media advertising spaces from our suppliers. The significant growth of our revenue generated from online media advertising services for FY2020, FY2021 and FY2022 was primarily attributable to (i) the fact that we allocated more resources from traditional offline media advertising services to online media advertising services, in view of our strategic shift of focus on such business segment during the Track Record Period; (ii) the increasing demand for online media advertising services and the rapid development of live streaming and e-commerce business following the outbreak of COVID-19 since early 2020; and (iii) the general increase in demand from advertisers who opt for promoting their businesses, product and/or service through online platforms with large amounts of user traffic. We plan to expand our online media advertising services in order to sustain our growth, details of which are set out in the paragraph headed “Business strategies – Continue to expand our online media advertising services” in this section.

As a branding, advertising and marketing solution service provider, our Group can maintain competitive advantages due to developed strategy formulation and data analytical capabilities, proven track record in providing full-scale and quality branding, advertising and marketing solution services, stable and long-standing business relationships with suppliers of a wide range of media resources, 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, well-established business relationships with customers from diverse industries, and an experienced management team with in-depth industry expertise.

For the Track Record Period, our Group had experienced a significant growth of the financial performance as compared with those of the Group prior to the Track Record Period. We had managed to develop our business to the present scale of operations mainly due to the following factors:

BUSINESS

1. Difference in the types of services offerings and composition of projects portfolio

During FY2016 and FY2017, our Group’s service offerings were mainly (i) traditional offline media advertising services; and (ii) video productions services (which is part of services offered in our event execution and production services). For traditional offline media advertising services, our Group assisted customers to place advertisements on the appropriate advertising platforms based on our understanding of the needs and the type of products and/or service of the customers. For video productions, our Group assisted customers to design the contents of their promotional videos and arranged for the video production works. In 2017, our Group was approached by three existing and sizable customers which expressed their demand for branding services. Considering that the expansion into branding services could diversify our Group’s service offerings and source of income, enhance the Group’s profitability and strengthen the business relationship with the customers, our Group was first engaged in branding services projects in 2017 and started to recognise revenue from branding services projects since FY2017.

Our Group adopted cost-plus approach in determining the prices for traditional offline media advertising services and video productions services. Since (i) traditional offline media advertising services and video productions generally involve simple analysis of the customers’ needs and placing advertisements and producing videos as per customers’ instructions, and (ii) there are many competitors providing similar services in the market, the contract value of traditional offline media advertising services and video productions is generally not high.

In contrast, branding services involve conducting market research and formulating comprehensive and customised branding services proposals for customers covering various aspects, including corporate brand building, overall branding positioning and marketing and sales strategies. As compared with traditional offline media advertising services and video production services, the scope of works under branding services is relatively more complicated and involves detailed analysis of the customer’s business, industry and competitive environment and target customers and formulation of the overall brand image and marketing strategies. As such, the contract value of branding services projects is generally higher. Following the increase in provision of our branding services since 2017 and our branding services represented our largest service component by revenue during the Track Record Period, the average contract value of our Group during the Track Record Period was larger than those prior to the Track Record Period and in turn, our revenue during the Track Record Period was higher than those prior to the Track Record Period. Further, as disclosed in the “Financial Information” section of this document, the gross profit margin of branding services projects was generally higher than that of traditional offline media advertising services projects.

Given that (i) our Group has maintained close relationship with certain existing and sizable customers who have strong demand for branding services; (ii) after its market cultivation in 2017 and 2018, our branding services were gradually recognised by customers since 2019; and (iii) market demand is growing as more enterprises began to focus on strengthening and rebuilding own brand competitiveness, the number of projects and average revenue per project for branding services have generally increased over the years, resulting in

BUSINESS

the revenue for our branding services increased gradually for FY2020, FY2021 and FY2022 and amounted to approximately RMB61.3 million, RMB74.9 million and RMB90.5 million for the respective years, respectively, which were higher than those in FY2018 and FY2019. Our Group did not record any revenue for branding services in FY2016 and recorded minimal revenue for branding services in FY2017.

In FY2018, our Group’s event execution and production service has expanded to include organising and implementing marketing events to promote the brands and products of customers, leading to an increase in the number of projects undertaken by our Group. This segment achieved a significant growth in FY2020, FY2021 and FY2022 in terms of revenue recognised and average revenue per project, which was primarily attributable to (i) the increase in market demand after the general stabilisation of COVID-19 in the second half of 2020 with the rapid recovery of offline scene activities; (ii) the popularity of the integration of new media which made the advertisers more likely to select different means of marketing such as scene activities and internet marketing to implement an effective marketing campaign; and (iii) the increase in the complexity and scale of the events organised and videos produced by our Group.

Further, as disclosed in this section, our Group has begun providing online media advertising services to its customers in 2018. Attributable to (i) our Group’s continued strategic focus on this segment; (ii) after its market cultivation in 2019, the Group’s online media advertising services were gradually recognised by customers since 2020; 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 with a CAGR of approximately 27.5% in terms of expenditure of advertisers in the PRC from 2016 to 2020, the number of projects and average revenue per project for online media advertising services have generally increased over the last four years. As such, revenue generated from online media advertising services amounted to approximately RMB18.5 million, RMB46.2 million and RMB48.1 million for FY2020, FY2021 and FY2022, respectively, representing approximately 17.9%, 29.3% and 23.4% of our Group’s total revenue for the respective years, which were higher than those in FY2018 and FY2019. Our Group did not record any revenue for online media advertising services projects in FY2016 and FY2017.

In FY2022, we had further expanded the scope of our online media advertising services and started to provide advertisement placement services. As compared with our traditional online media advertising services where we only provide intermediary services to assist our customers to identify and select the relevant online advertising resources suppliers, we had further expanded the scope of our online media advertising services by providing video content production services to advertiser customers and assisting the customers to operate their account and directly place their advertisements on the online media platform operated by the Media Supplier according to the instructions of the customers. Depending on the needs of the advertiser customers, we also assist them to design and produce short advertisement videos for placing on the online media platforms of the Media Supplier. For details of our provision of advertisement placement services, please refer to the paragraph headed “Our principal business

BUSINESS

– Provision of placement services” in this section. Revenue generated from provision of advertisement placement services (including rebates from media partner) amounted to approximately RMB23.2 million, representing approximately 11.3% of our Group’s total revenue for FY2022.

In view of the above factors, our Group had recorded significant growth in the revenue generated from the top ten customers during the Track Record Period as compared to those of the Group prior to the Track Record Period. The aggregate revenue generated from our top ten customers increased from approximately RMB81.0 million for FY2020 to approximately RMB93.3 million for FY2022, which were higher than those prior to the Track Record Period.

During the Track Record Period, while our Group continued to provide traditional offline media advertising services, our Group had expanded our service offerings on branding services, online media advertising services, event execution and production services and provision of advertisement placement services to our customers. The followings are a summary of certain major projects undertaken by our Group for our top ten customers during the Track Record Period:

- in FY2020, we provided branding services and online media advertising services for a customer in Hubei province which was principally engaged in, among others, medical technology development and manufacturing and sale of disinfection products and chemical products. The services provided mainly included (i) research and analysis on the marketing data on the medical and healthcare industry of the PRC; (ii) formulation of sales and promotion strategies for enhancing the brand images of the products of the customer; and (iii) placing of online advertisements for various product lines of the customer on a popular online messaging platform in the PRC. The aggregate revenue generated from this customer amounted to approximately RMB17.9 million, representing approximately 17.3% of our revenue for FY2020;
- in FY2020, we provided branding services, event execution and production services and traditional offline media advertising services for Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司) which was principally engaged in manufacture and sales of mattresses, sofas sponge bedding, galvanized tiles and other furniture. The services provided mainly included (i) research and analysis on the marketing strategies and trends of the major household product brands of the PRC and formulation of the marketing, public relations and advertisement placement strategies of the customer for 2020; (ii) formulation of theme and preparation of execution plans for marketing events for the promotional activities of various product lines of mattress, beds and sofas of the customer; and (iii) placing of TV advertisements with a TV station operator in Hubei province. The aggregate revenue generated from this customer amounted to approximately RMB9.6 million, representing approximately 9.3% of our revenue for FY2020;
- in FY2021, we provided branding services and event execution and production services for the same customer in FY2016 which was principally engaged in manufacture and sales of electric vehicles, bicycles, electric motorcycles and accessories. The services provided mainly included (i) research and analysis on the

BUSINESS

development trends of electric motorcycles and three-wheeled motorcycles in the PRC and formulation of the marketing, public relations and advertisement placement strategies of the customer for 2021; and (ii) formulation of the theme and preparation of execution plans for marketing events for the promotional activities of the various product lines of the customer. The aggregate revenue generated from this customer amounted to approximately RMB8.7 million, representing approximately 5.5% of our revenue for FY2021;

- in FY2021, we provided branding services and online media advertising services for the same customer in Hubei province in FY2020 which was principally engaged in, among others, medical technology development and manufacturing and sale of disinfection products and chemical products. The services provided mainly included (i) research and analysis on the marketing data on the medical and healthcare industry of the PRC; (ii) formulation of the strategies for enhancing the brand image in 2021 and the marketing strategies for the promotion of the online sales platform across the country; and (iii) placing of online advertisements for the various product lines of the customer on a popular online messaging platform in the PRC. The aggregate revenue generated from this customer amounted to approximately RMB8.5 million, representing approximately 5.4% of our revenue for FY2021;
- in FY2022, we provided branding services, online media advertising services and event execution and production services for a customer in Jiangsu province which was principally engaged in design, production and sales of three-wheeled motorcycles and electric vehicles. The services provided mainly included (i) analysis of the latest industry environment and market trends and formulation of the strategies on brand positioning and advertising channels; (ii) preparation of execution plans for the customer's annual marketing event; and (iii) placing of online advertisements for customer's products on online media platform. The aggregate revenue generated from this customer amounted to approximately RMB13.6 million, representing approximately 6.6% of our revenue for FY2022.

2. Strengthening and expansion in the geographical coverage of customers

Prior to the Track Record Period, our Group mainly provided services to customers located in Hubei Province, Jiangsu Province and Shanghai, respectively. On the one hand, our Group continued to enhance its market position in Hubei Province as a branding, advertising and marketing solution service provider by leveraging on (i) its established market reputation and proven track record; (ii) its knowledge and experience in the local market dynamics, industry practice and preferences of the local customers; and (iii) its well-established relationships with customers and suppliers based in Hubei Province. During the Track Record Period, the revenue generated from Hubei Province amounted to approximately RMB71.9 million, RMB115.7 million and RMB125.9 million, respectively, generally accounting for not

BUSINESS

less than 60.0% of the Group’s revenue. On the other hand, our Group expanded its business into Anhui Province, Jiangxi Province, Shaanxi Province and Jilin Province in FY2020 and FY2021. In FY2022, we have entered into the markets of Jiangxi, Sichuan, Chongqing, Shaanxi, Liaoning, Inner Mongolia, Ningxia, Guangxi, Xinjiang, Henan, Hunan, Gansu, Qinghai and Heilongjiang due to our continuous marketing efforts. The expansion of the geographical coverage of our Group’s customers provided additional business opportunities and source of income, and contributed to our Group’s significant growth of the financial performance during the Track Record Period.

3. Enhancement in the industry coverage of customers

For the three years ended 31 December 2018, our Group mainly provided services to customers in industries such as automobile manufacturing, beverage and beauty-care. In FY2019, our Group expanded the coverage of its services to customers in agricultural and related food processing industry by exploring several new customers with relatively strong demand on marketing. In FY2020, as affected by the outbreak of the COVID-19, our Group enhanced its services to customers in healthcare food production and recorded revenue of approximately RMB17.9 million, representing approximately 17.3% of our total revenue for FY2020. In addition, our Group expected that the demand would pick up for some industries after the general stabilisation of COVID-19 such as daily necessities and/or healthcare-related industries including beverage, healthcare food production, medicine manufacturing and household essentials manufacturing in the PRC, and tourism industry would rebound following the ease of travel and lockdown restriction. The demand for automobile manufacturing is expected to increase since some citizens prefer using own vehicle instead of public transport to avoid infections in the second half of FY2020. Thus, our Group focused on liaising and communicating with corporate clients in these industries with enhanced sales efforts and broadening of service scope. The aggregate revenue generated from customers in these industries amounted to approximately RMB77.4 million and RMB88.8 million in FY2020 and FY2021, respectively, representing approximately 74.8% and 56.3% of our Group’s revenue for the corresponding year respectively. In FY2021, our Group further enhanced its services to customers in real estate development, education, retail, metal products manufacturing and food production industries and recorded approximately RMB3.6 million, RMB4.0 million, RMB10.5 million, RMB4.0 million and RMB5.7 million of revenue from these industries, respectively in FY2021. With the commencement of our provision of advertisement placement services in FY2022, we had recorded increase in our revenue from advertising industry from approximately RMB8.8 million for FY2021 to approximately RMB44.8 million for FY2022.

4. Additional business opportunities generated from follow-up engagements of branding services projects (the “Follow-up Engagements”) during the Track Record Period

As disclosed in the paragraph headed “Our principal business – Branding services” in this section, after receiving the branding service proposals prepared by our Group, the customers may further engage our Group to execute the proposals on project basis as separate engagements for our advertising services and/or event execution and production services. Since the commencement of provision of branding services in FY2017, the Follow-up Engagements

BUSINESS

for our Group's offline and online advertising services and/or event execution and production services have provided additional business opportunities and source of income to our Group and contributed to our Group's significant growth of the financial performance during the Track Record Period. During the Track Record Period, the aggregate revenue generated from Follow-up Engagements amounted to approximately RMB30.2 million, RMB43.4 million and RMB62.6 million, respectively, representing approximately 29.2%, 27.6% and 30.5% of our Group's total revenue, respectively.

5. Strategies adopted by our Group during the Track Record Period

Our Group maintained close and on-going communication with the existing customers to understand their business conditions, demand on marketing services and the progress on the execution of advertising plans during the outbreak of COVID-19 in FY2020. Although our Group's ability to explore new customers through business trips was affected in the first half of 2020 due to the travel restrictions and city lockdown, our Group was of the view that the demand would pick up for some industries after the general stabilisation of COVID-19 such as daily necessities and/or healthcare-related industries including beverage, healthcare food production, medicine manufacturing and household essentials manufacturing in the PRC and tourism industry would rebound following the ease of the travel and lockdown restrictions. The demand for automobile manufacturing is expected to increase since some citizens prefer using own vehicle instead of public transport to avoid infections in the second half of FY2020. Thus, our Group focused on liaising and communicating with corporate clients in these industries to discuss their marketing plan, advertising strategies and execution. Accordingly, the revenue generated from these industries became the major source of the Group's revenue in FY2020. In addition, after the general stabilisation of COVID-19 in the second half of 2020, our Group enhanced sales efforts by increasing business trips and social activities with customers and business partners and employing more sales staff to improve its financial performance.

In FY2021 and FY2022, we continued to strengthen our marketing activities and efforts to explore new customers. 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. Therefore, we continued our strategic shift to focus on online media advertising services and strengthen our efforts on expanding our customers base for this segment in FY2021 and FY2022. As a result, the number of projects for online media advertising services increased from 27 for FY2020 to 87 for FY2022, and the revenue from online media advertising services also increased significantly from approximately RMB18.5 million for FY2020 to approximately RMB48.2 million for FY2022. In FY2022, we further expanded the scope of our online media advertising services and started to provide advertisement placement services. Revenue generated from provision of advertisement placement services (including rebates from media partner) amounted to approximately RMB23.2 million.

BUSINESS

As mentioned above, in FY2020, we had focused our marketing efforts on certain industries such as beverage, automobile manufacturing, medicine manufacturing and tourism, as we expect that the demand from those industries would pick up after the general stabilisation of COVID-19. In view of the significant increase in revenue from the aforesaid industries in FY2020 and the growth potential of those industries, we continued to focus our marketing efforts to explore additional business opportunities from those industries in FY2021. The revenue from customers in beverage, automobile manufacturing, medicine manufacturing and tourism increased by approximately 45.8% from approximately RMB47.1 million for FY2020 to approximately RMB68.6 million for FY2021. Further, we had also strived to diversify the industry portfolio of our customers so as to broaden the source of revenue of our Group and reduce of risk of customers concentration in a small number of industries. As such, we had also made efforts to secure customers from different business sectors and increase the revenue contribution of customers from various industries. In particular, the revenue from customers in retail, food production, real estate development, metal products manufacturing, education and civil engineering industries increased significantly from approximately RMB0.7 million for FY2020 to approximately RMB30.3 million for FY2021. While we did not focus our marketing efforts on any particular industry in FY2022, we continued to proactively explore customers from different background and industries so as to continuously expand our customer base and achieve sustainable growth.

Apart from exploration of new customers, we continued to maintain close communication with our existing customers after the completion of branding services projects so as to secure from them the Follow-up Engagements for the execution of their marketing plans. The amount of revenue from the Follow-up Engagements increased by approximately 43.6% from approximately RMB30.2 million for FY2020 to approximately RMB43.4 million for FY2021, which had further contributed to the growth of our Group’s revenue for FY2021. The amount of revenue from the Follow-up Engagements further increased by approximately 44.2% from approximately RMB43.4 million for FY2021 to approximately RMB62.6 million for FY2022.

6. Strong employee backup and consistent pricing strategy

Our Group’s number of employees has experienced a rapid growth along with the increase in revenue to support its business expansion. The Group’s revenue increased from approximately RMB103.4 million in FY2020 to approximately RMB205.4 million in FY2022, representing a CAGR of approximately 40.9%. In the meantime, the number of employees increased from 99 as at 31 December 2020 to 170 as at 31 December 2022. In addition, our Group has adopted a consistent pricing strategy over the years which is a cost-plus pricing approach, which enabled our Group to build its brand reputation, enhance customer confidence and better determine its service fee based on more accurate estimation of its costs and customers’ budgets, thus managing its profitability.

BUSINESS

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. 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, 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.

According to Frost & Sullivan, total expenditure of advertisers in online media advertising service market in the PRC grew at a CAGR of approximately 16.8% from RMB351.8 billion in 2017 to RMB766.2 billion in 2022 and is expected to grow at a CAGR of approximately 9.9% from RMB766.2 billion in 2022 to RMB1,227.4 billion in 2027.

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 and RMB205.4 million in FY2021 and FY2022, 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, respectively. 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].

We believe that the demand for integrated branding, advertising and market solution services in the PRC will continue to grow. According to Frost & Sullivan, total expenditure in integrated branding, advertising and marketing solution service market in the PRC grew at a CAGR of approximately 11.0% from RMB624.1 billion in 2017 to RMB1,049.8 billion in 2022 and is expected to grow at a CAGR of approximately 7.9% from RMB1,049.8 billion in 2022 to RMB1,538.0 billion in 2027. We believe our in-depth experience and adaptive ability to the changing environment provide us with a favorable position to capture additional market share and achieve overall growth in the advertising market in the PRC.

In light of the anticipated increase in demand for integrated branding, advertising and market solution services, we intend to capture such emerging business opportunities to further expand our customer base and geographic reach in different regions in the PRC. We believe that with our proven track record in providing full-scale and quality branding, advertising and marketing solution services, our capabilities in strategy formulation and data analysis and our well-established business relationship with our customers and suppliers, we are well positioned to maintain business relationship with our recurring customers and attract new customers, which we believe enables us to capture the growing demand in the integrated branding, advertising and marketing solution service industry in the PRC. In particular, we intend to strengthen our data analytical capabilities and further enhance our branding services after the [REDACTED] by (i) establishing our branding data platform and R&D database; and (ii)

BUSINESS

acquiring more comprehensive market and industry data. Please refer to the paragraph headed “Business strategies – Strengthen our data analytical capabilities and further enhance our branding services” in this section for details. To capture the significant growth in the online media advertising service market in China, we also intend to enhance our online media advertising platform and develop in-house content production capabilities to capture the growing opportunities in the online media advertising service market in the PRC after the [REDACTED]. Please refer to the paragraph headed “Business strategies – Continue to expand our online media advertising services” in this section for details.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths differentiate us from our competitors effectively.

We have developed strategy formulation and data analytical capabilities

Leveraging on our strategy formulation and in-depth industry knowledge and experience, we are capable of formulating tailor-made branding, advertising and marketing solutions for our customers through analysing market and industry data procured by us from third party research institutes such as projection of the market demand for the products and/or services to be marketed and promoted by our customers, consumers’ behaviours and preferences, branding, advertising and marketing strategies adopted by customers’ competitors and target audience of different advertising platforms and channels. During the Track Record Period, we have established strategic cooperation with a renowned university with market research

BUSINESS

expertise in Central China and other renowned research institutes to strengthen and enhance our Group’s capabilities in terms of (i) extraction of industry data and market information from relevant and reliable sources; (ii) conducting scientific analysis on the industry data and market information collected, which enables the Group to identify the latest market and industry trends, accurately detect the evolving preferences and potential demands from customers across different industries and determine the appropriate media platforms and advertising resources to be procured for achieving the marketing objectives of our customers; and (iii) incorporating the findings and results of our market and industry analysis into our service proposals.

The following table sets forth an illustration of how we make use of the market and industry data procured from third party research institutes to perform data analytics for a customer in a branding service project:

<i>Principal business of the customer</i>	<ul style="list-style-type: none">• The customer was principally engaged in the production and sale of beer
<i>Customer’s marketing objectives</i>	<ul style="list-style-type: none">• Developed a new brand of beer which targeted young customers• Design of brand name, positioning and philosophy, analysis of the target markets and target customers group and formulation of the market strategies for the promotion of the new brand
<i>Major data purchased from third party research institutes</i>	<ul style="list-style-type: none">• Interview results from young customers on their consumption data and patterns in major cities of the PRC• Product characteristics and market trend of various brands of beer in the PRC, including, among others, market share, sales volume, geographic coverage of various beer brands, industry structure and consumption pattern• Detailed market study on the brand development of certain major beer brands in the PRC, including, among others, sales channels, product mix, target customers groups and profitability of major products• Detailed market study on the promotion strategies of certain major beer brands in the PRC, including, among others, the brand images, spokesperson for the brands, promotion channels, nature of cooperation with other companies on product promotion and major selling points of the products

BUSINESS

Analysis of market and industry data

- Through analysing the brand image, strengths and the competitive environments of the products of the clients, we identified the existing brand problems faced by the client such as the problem of the aging brand image and the need to enhance the attractiveness of the brand among young customers group
- Through analysing the consumption data and pattern of various brands of beers and young customers group in the PRC, we identified the preference of the product style, beer taste of young customers, their preferred consumption models and experience
- Through analysing the detailed market data of various major beer brands in the PRC, which include, among others, their product characteristics, sales model and strategies, we design and formulate marketing strategies to the client under the then industry and competitive environment

Proposals to the customer

- As for product strategies, we delivered proposals to the client on overall positioning of brand image, product names, product categories, product slogans, consumption environment, the design and packaging of the products and core selling points of the products
- As for sales and promotion channels, we delivered proposals to the client on overall promotion strategies, design of layout and management of promotion channels and handling the issues related to its sales and promotion
- As for the execution of the promotion, we delivered proposals to the client on the design of annual promotion themes, means of promotion, budgets on promotions and design of theme of marketing event and cooperation with third parties on products promotion

According to Frost & Sullivan, it is an industry norm that the branding, advertising and marketing service providers and advertising agents may obtain market and industry data from third-party research institutes. We believe that our competitive strengths can be evidenced from our extensive experience in serving customers from various industries and long-term relationship with research institutes. We have established long-term relationship with two renowned universities in Wuhan with market expertise since June 2017 and March 2018, respectively. Such long-term cooperation enables us to obtain a stable supply of market data

BUSINESS

which can address customers’ needs in different projects. Further, the market and industry knowledge accumulated by us through the long-term cooperation with research institutes and our past experiences of providing branding services to clients from a wide range of industries, such as beverage, healthcare food production, automobile manufacturing, household essentials manufacturing and tourism, enable us to consolidate the common issues and solutions from various industries and provide comprehensive branding services proposals and solutions that can fulfil the customers’ marketing objective. Therefore, we believe that our stable relationship with research institutes and projects experience in serving customers from versatile industries enable us to provide quality branding services and solutions to customers and enhance our competitiveness in the market.

With the increasing demand from brand owners, advertisers and advertising agents to engage our Group for our tailor-made branding, advertising and marketing solution services during the Track Record Period, we have joined force with a renowned university with market research expertise in Central China in 2020 to establish Donghu Brand Institute* (東湖品牌研究院), which is jointly led by the associate dean and professor of the said university together with the senior management of our Group, supported by experienced professional specialising in media and communication, industry experts, entrepreneurs, branding executives and scholars from renowned universities. As at the Latest Practicable Date, Donghu Brand Institute served as a knowledge hub dedicated for providing useful resources, information and updates on various branding and marketing related topics such as the latest industry trend for brand building and marketing solutions, and the interrelationships between the sales performance and multi-dimensional branding, advertising and marketing strategies. In addition, it has developed market indices such as China City Brand Power Index* (中國城市品牌力指數), which is updated and published on an annual basis, and Hubei Branding Vitality Index* (湖北品牌傳播活力指數), which is updated and published every one to two years.

By collaborating with renowned third party research institutes, we are capable of profiling potential target audience, identifying the consumption pattern and preferences of the target audience and displaying advertisements and marketing content specifically to these audience, which can provide a reliable basis for the formulation of our branding strategies. Data procured by us such as viewership, time spent on sites, pages visited, reach rate of the advertisements and types of audience reached can be recorded, collected and analysed to evaluate the effectiveness of the branding, advertising and marketing solutions. Upon completion of implementation of our branding, advertising and marketing proposals, we would prepare a summary report to set out, among others, the business impact and promotional effects generated from the implementation of our branding, advertising and marketing proposals. Our Group usually offers these data analysis services together with our branding, advertising and marketing solutions to differentiate ourselves from our competitors. Our Directors are of the view that our strategy formulation capabilities will enable us to capture business opportunities from both our existing and potential customers.

BUSINESS

We have proven track record in providing full-scale and quality branding, advertising and marketing solution services

We have demonstrated consistent and proven track record in delivering tailor-made branding, advertising and marketing solutions through various media platforms and advertising resources for our customers.

During the Track Record Period, we have successfully completed 168, 237 and 368 branding, advertising, and marketing solution projects for our customers, comprising private enterprises, state-owned enterprises and government authorities in the PRC, respectively. In providing our branding, advertising and marketing solution services, we were involved in, among others, (i) strategic planning of the overall branding, advertising and marketing solutions with suggestions, concepts or ideas on advertising slogans, subtitles, scenes, texts and graphics based on the market positioning, functions and characteristics of the subject products and/or services being promoted and the marketing objectives to be achieved by our customers; (ii) procuring and analysing market and industry data in relation to customers’ behaviours and preferences, competitive landscape and the latest trend in the relevant industry and target audience of the relevant products and/or services being promoted; (iii) collaboration with other third-party service providers, such as production houses, public relation companies and marketing agencies specialising in design and production of branding, advertising and marketing materials, promotional video clips and marketing events; and (iv) procurement of appropriate advertising resources in various media platforms such as TV channels, online social media, e-commerce and OTT platforms, and outdoor advertising space to maximise the exposure to the targeted audience and optimise the promotional effects.

Through our branding, advertising and marketing solution services, we can enhance the awareness and reputation of the brands, products and/or services marketed by our customers and thereby improving the sales, performance and market share of their products and/or services with the ultimate goal of achieving brand building and promoting the unique value of their products and/or services among their target recipients. With our ability to provide full-scale branding, advertising and marketing solution services to our customers, we believe our Group is well positioned to capture potential market opportunities in a broad range of branding, advertising and marketing services, thereby driving our revenue growth.

Due to the increasing demand for multi-dimensional 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 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 our analysis on the preference and behaviour of the internet users and the characteristics and effectiveness of various online platforms.

BUSINESS

With our in-depth experience and expertise in offering quality branding, advertising and marketing solution services, we have received numerous awards in recognition of the quality of our services, including Strategic Cooperation Partner of the “Five Star Alliance”* (“五星聯盟”戰略合作夥伴) in 2016, High and New Technology Enterprise Certificate* (高新技術企業證書) in 2017 and renewed in 2020, Macau International Advertising Festival: 2017-2018 Most Influential Communication Company* (澳門國際廣告節:2017-2018年度中國最具影響力傳播公司) in 2018 and China International Advertising Festival: 2020 Golden Partner Advertiser Award* (中國國際廣告節廣告主獎•2020年度金夥伴獎) in 2020, China International Advertising Festival: 2021 Golden Partner Advertiser Award* (中國國際廣告節廣告主獎•2021年度金夥伴獎), accreditation of China Level One Advertising Company Media Service* (中國一級企業「媒體」服務類) in 2021 and a Provincial Specialised, Sophisticated, Special and New Little Giant Enterprise* (省級專精特新小巨人企業) in 2021 and 2022. For details of the awards received by our Group, please refer to the paragraph headed “Awards” in this section. Our Directors believe that these awards not only can serve as endorsement to the quality of our services, effectiveness of content delivery and precision of our solutions, but also can attract more reputable customers to our Group.

We have established stable and long-standing business relationships with suppliers of a wide range of media platforms and advertising resources

During the Track Record Period, we have developed strategic relationships with suppliers of a wide range of media resources, including well-known TV station operators, market leading online social media, e-commerce and OTT platforms and owners of outdoor advertising spaces in shopping malls, buses, and subway in the PRC. In particular, we have been appointed by a state-owned national broadcaster in the PRC as its authorised advertising agency for seven consecutive years since 2016. Riding on our strong customer base, we have also established long-standing relationships with other major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province, Hunan Province, Zhejiang Province, Shanghai and Beijing. These long-established relationships give us competitive edge in securing valuable advertising resources such as (i) TV advertising time slots during prime time; (ii) online advertising resources in popular online social media, e-commerce and OTT platforms; and (iii) the most updated and first-hand information regarding the advertising resources available across different media platforms and channels. Besides, we have established business relationships with third-party content production houses, design companies and market research companies.

The large network of our suppliers enables us to choose from a comprehensive pool of advertising resources and offer multi-dimensional branding, advertising and marketing solutions to our customers, which save the time and cost of our customers in identifying and dealing with different types of suppliers to implement their marketing strategies in maximising the exposure of advertisements to the target audience.

Leveraging on our strategic relationships with suppliers of a wide range of media platforms and advertising resources, we are able to (i) secure valuable advertising resources with high demand across different media platforms; (ii) obtain the most updated and first-hand information regarding the advertising resources available; and (iii) monitor the execution of the branding, marketing and advertising solutions accurately.

BUSINESS

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

Due to our in-depth experience and expertise in offering tailor-made branding, advertising and marketing solutions, our project management team has developed own capabilities to formulate tailor-made ideas and concepts such as advertising slogans, subtitles, scenes, texts and graphics which can be applied to produce different forms of branding, advertising and marketing content across a wide range of media platforms covering TV, online video platforms, new media, outdoor platforms and marketing events.

Depending on (i) the marketing objectives of our customers; (ii) the market positioning and characteristics of the products, services and/or brands being promoted; and (iii) the market research findings based on our industry data analysis, we are capable of formulating tailor-made marketing ideas and concepts, which highlight the competitive strengths and unique benefits of the relevant products, services and/or brands being promoted, and incorporate them in different types of advertising contents such as themed TV programmes, audio programmes, online video clips, texts and images, outdoor advertisements, marketing events and activities. During the Track Record Period, we have (i) launched a brand building campaign for a leading three-wheel electric vehicle brand; (ii) formulated an advertising and marketing strategy for a leading mattress and bedding product brand to promote its newly introduced products by organising a series of themed marketing activities; and (iii) provided a tailor-made advertising solution for a household beverage brand by implanting our advertising ideas and concepts in a themed TV programme which created a set or scene that matched with the advertised products in a natural and subtle way.

Through our all-encompassing approach that implements and spreads our tailor-made ideas and concepts in different forms of advertising contents, ranging from videos, audios to advertorials, via multimedia channels, from traditional media platforms (e.g. TV) to new media channels (e.g. online social media, e-commerce and OTT platforms) as well as on-the-ground experiences, we believe that such approach not only can enable our customers to achieve higher cost efficiency, but also create synergies that enrich their target recipients' virtual and real life experiences, which in turn can maximise the branding and promotional effects of our customers' marketing strategies.

We have well-established business relationships with customers from diverse industries

We have established business relationships with a diversified customer base during the Track Record Period. Our customers mainly include brand owners, advertisers and advertising agents engaged in beverage, healthcare food production, automobile manufacturing, household essentials manufacturing, tourism, agricultural and related food processing, retail and advertising industries. We believe that having customers from a wide variety of industries reduces the risk of over concentration on any particular industry which prevents us from being vulnerable to seasonality, economic cycles and fluctuations in a particular industry.

BUSINESS

During the Track Record Period, we have successfully maintained years of business relationships ranging from 4 to 8 years with our five largest customers and established business relationships with 16, 55 and 121 new customers in the said periods, respectively. As at the Latest Practicable Date, we have entered into long-term framework agreements with five recurring customers, which have engaged us in the previous year, with a term of 30 months, in order to attract them to allocate a larger share of their marketing budget to us for branding, advertising and marketing purposes. These five recurring customers include Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司) (a top 5 customer of our Group for FY2020 and FY2022), Customer D, Customer E, a company which is principally engaged in electronic locks manufacturing based in Jiangsu Province and a main contractor for housing construction based in Wuhan City. Please refer to the paragraph headed “Customers” for details of the background of Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司), Customer D and Customer E. Pursuant to the framework agreements, we would provide them with periodic branding, advertising and marketing services, including but not limited to design of the brand image, formulation of products marketing and brand promotion plans, organisation of marketing campaigns and displaying advertisements and production of promotional video, capped at a consideration ranging from RMB5 million to RMB40 million, which are payable by instalments in accordance with the progress of services provided. The specific scope of service and content of advertisements are to be further agreed between the parties. Neither party is entitled to terminate the framework agreements unilaterally. If a party is in breach of the agreement and/or the relevant laws and regulations, the other party is entitled to demand liquidated damages of up to 20% of the total consideration and/or other uncovered damages (including but not limited to economic loss, legal fees and notarisatation fees etc.).

Although we did not proactively explore customers from new industries during FY2020 in view of the outbreak of COVID-19, we anticipated that after the general stabilisation of COVID-19 in the second half of 2020, there would be huge demand from some industries such as daily necessities, healthcare food production, automobile manufacturing, tourism, medicine manufacturing, beverage and household essentials manufacturing in the PRC. Therefore, we strategically focused on liaising and communicating with these clients to discuss their advertising plan, advertising strategies and execution, and therefore we recorded significant revenue from these industries in FY2020. For details of the revenue generated from the aforesaid industries during the Track Record Period, please refer to the section headed “Business – Customers” and “Financial Information – Breakdown of revenue by industries of customers” in this document.

We believe that by maintaining a close relationship with our customers, we are able to familiarise ourselves with our customers’ corporate cultures, budgets and preferences and can better manage their expectations and offer them with services that best suit their needs.

BUSINESS

We have an experienced management team with in-depth industry expertise

Our management team is experienced in providing branding, advertising and marketing solution services to customers in the PRC. In particular, Mr. Chen, Ms. Wang and Ms. Xue, our executive Directors, are very knowledgeable in the branding, advertising and marketing services industry in the PRC and have over 10, 10 and 8 years of industry and management experience, respectively.

We believe that the rapid and diversified development of our Group was benefited from the experience, insight and leadership of Mr. Chen, Ms. Wang and Ms. Xue, who have brought a wealth of experience, resources, connections in the branding, advertising and marketing services industry to our Group and strengthened the customers’ confidence in our Group. In particular, Mr. Chen was nominated as Top Ten Public Figures of China Economy* (中國經濟十大新聞人物) in 2016, 2017 and 2020, and was nominated as 2018 Annual Innovative Personnel of Chinese Economic Reform* (2018中國經濟改革年度創新人物) in 2018. In addition, Ms. Wang has accumulated substantial experience and expertise in the branding, advertising and media industry through advising leading brand owners and advertisers on the formation and execution of various branding, advertising and marketing solution services projects. Ms. Xue excels at applying her practical experience and professional knowledge to assist our customers to formulate branding, advertising and marketing strategies, identify the core strengths of the brands, and devise marketing solutions combined with relevant advertising resources.

Leveraging our competitive strengths, our Group has built up an experienced management team which can effectively oversee and coordinate our business operations across various work streams to facilitate our smooth operations. The ability to devise, manage and coordinate various aspects of a project and the delivery of full-scale solutions have allowed our Group to assist our customers in addressing their challenges and to ensure the delivery of envisaged solutions that meet the required standard. For further details and biographies of our Directors and senior management, please refer to the section headed “Directors and Senior Management” in this document. With their experience, knowledge and insights, we believe that our management team is able to lead our Group to grow with the expanding integrated branding, advertising and marketing solution service market in the PRC.

BUSINESS

BUSINESS STRATEGIES

We intend to strengthen our market position as a branding, advertising and marketing solution service provider in the PRC and further increase our market share by implementing the following strategies.

Strengthen our data analytical capabilities and further enhance our branding services

Our Directors consider that possession of strong data analytical capabilities, up-to-date industry data and marketing information is one of the key factors leading to the success of a branding services provider. According to Frost & Sullivan, total expenditure of brand owners to advertising services providers in branding service market in the PRC grew at a CAGR of approximately 20.1% from approximately RMB2.4 billion in 2016 to approximately RMB6.0 billion in 2021 and is expected to grow at a CAGR of approximately 16.0% from RMB6.0 billion in 2021 to RMB12.6 billion in 2026. To capture the growth potential of the branding service market in the PRC, we intend to strengthen our data analytical capabilities and further enhance our branding services by (i) establishing our branding data platform and R&D database; (ii) acquiring more comprehensive market and industry data; and (iii) recruitment of additional staff for our R&D department.

(i) Establish our branding data platform and R&D database

According to Frost & Sullivan, the width and depth of branding and marketing data and customer behavior information as well as data analytical capabilities are critical for branding services providers to provide effective and tailor-made branding services. A well-established branding services provider that has access to large volume of data, information, industry insights and media resources will be able to develop more precise data analytics tools and to generate more in-depth and effective branding strategies to meet the business needs and marketing objectives of the customers. It is therefore an industry norm and common market practice for sizable market players in the branding services industry to set up their own branding data platforms and R&D databases to consolidate industry data and marketing information such as (i) branding strategies and environment across different industries; (ii) brand identities based on characteristics and competitive strengths of the brand owners; (iii) market positioning intelligence; (iv) design and development of branding content covering logos, patterns and icons, slogans, taglines, print collateral, signage, packaging, visual and audio content, advertising messages, digital platforms and websites; (v) media resources planning covering offline and online media advertising platforms and channels; (vi) competitor and target audience analysis based on the types and features of products and/or services being promoted and marketed; (vii) customers' behaviours and preferences in different market segments; (viii) market precedents and project experience for implementation of various branding strategies; and (ix) evaluation and analysis on the effectiveness of the branding proposals.

The setting up and development of branding data platforms and R&D databases can also provide the branding services providers with competitive edge over other market competitors in terms of (i) integration of the marketing data and information into the branding strategies

BUSINESS

and proposals; (ii) displaying and showcasing data analytical capabilities to the potential customers based on the industry-wide branding cases and data reports; (iii) addressing specific needs and marketing objectives of customers from a diverse range of industries; and (iv) enhancing efficiency of extracting relevant information and data to facilitate the branding consultation and advisory services to the customers according to Frost & Sullivan.

Leveraging on the comprehensive coverage of industry data and marketing information through the branding data platforms and R&D databases, it is also a common market practice for branding service providers to develop an interface platform offering access to branding data, industry insights and marketing related information and separately charge their customers for the downloading fee, membership fee or subscription fee, thereby further diversifying the revenue streams of the branding services providers.

During the Track Record Period, we mainly relied on third-party research institutes to conduct market research and provide us with the relevant industry data and marketing information based on the specific business needs and marketing objectives of our customers. Hence, the data and information obtained by the Group is project specific and generally has smaller coverage focusing on limited types of industry segments. In addition, there is generally slower delivery time for third-party service providers to provide us with the relevant industry data and marketing information which in turn lengthens the response time of our Group and may adversely affect efficiency of our service delivery to our customers.

In order to reduce our Group's reliance on third party research institutes, further enhance our Group's service offering particularly in branding business and strengthen our data analytical capabilities, thereby increasing our customer stability and market competitiveness, we intend to establish our own branding data platform and R&D database to strengthen our capabilities in (i) formulating effective and tailor-made branding strategies for customers in different industries; (ii) analysing customers' behaviours and preferences; (iii) profiling target audience in different market segments; (iv) integrating the latest market positioning intelligence, branding performance data and behavioural data in the consultation with our customers and subsequent service proposals; (v) strategic planning for different types of marketing and advertising resources; (vi) monitoring the latest industry trend for design and development of brand identities and branding content; (vii) projection of the potential market demands based on the types and features of products and/or services being promoted and marketed; and (viii) evaluating the effectiveness of the branding strategies and marketing proposals based on the market precedents and our project experience.

In order to establish the branding data platform and R&D database, we intend to acquire various types of market and industry data from industry research consultancy groups, media monitoring companies and market research companies, which mainly include, among others, (i) data on consumers' behaviours and preferences across different industry sectors, market positioning intelligence and competitive market landscape analysis to be obtained from industry research consultancy groups; (ii) data on viewership and profile of audience of different media and promotional programmes on television or online channels to be obtained from media monitoring companies; and (iii) data-based analysis of effectiveness of various e-commerce platforms (including their target customers and the consumers' behaviours on various e-commerce platforms) and the latest industry trend and potential demands in the local market to be obtained from market research companies. For further details of the market and industry data to be procured by our Group, please refer to the sub-paragraph headed "(ii) Acquire more comprehensive market and industry data" in this section below.

BUSINESS

In particular, the data analytics can be applied to our branding services in the following aspects:

- ***Consolidation of industry data, branding insights and market positioning intelligence and integration of the relevant analysis into our service proposals.*** Leveraging on our R&D database and the advanced industry data to be acquired by our Group, we intend to develop our branding data platform to cover the entire value chain of the data analytics, including business case evaluation, identification of data, data filtering, data extraction, data aggregation, data analysis and final analysis result, which in turn enable our Group to consolidate and analyse the latest industry data, branding insights and market positioning intelligence and integrate the relevant analysis results in our branding strategies and service proposals.
- ***Profiling analysis and precise audience targeting.*** Through analysis of our data assets, we can utilise data analytics to extract and monitor the data and information regarding the users/recipients of different media platforms and channels, including basic demographics such as age, gender, geographic location as well as personal interest and preference, which can facilitate the Group to devise branding proposals or marketing plans to precisely target and reach the types of audiences for the products and/or services being promoted by the brand owners.
- ***Real-time monitoring and optimisation of branding and marketing performance.*** With the support of data analytics and related technologies, we can analyse the raw data from a wide range of media publishers on a real-time basis, including user traffic, ad performance data and behavioral data, which in turn enable us to continuously monitor and analyse these data in a timely manner and optimise the branding and marketing performance to assist the brand owners and advertisers to acquire, convert and retain their target customers in a more cost effective way.
- ***Enhancing the efficiency and effectiveness of branding strategies.*** Considering the evolving demands and preferences from the target customers across different industries, we intend to utilise data analytics to prepare simulation models and forecasts of the market reactions to the branding strategies implemented by the brand owners by analysing (i) the forthcoming industry trends; (ii) spending patterns of the target audiences; (iii) features and pricing of comparable products and/or services; (iv) projected demands based on the competitive market landscape analysis; and (v) popularity and quality of different types of advertising and marketing resources.

According to Frost & Sullivan, along with the development of branding service market, brand owners have put forward higher requirements for the service quality and service scope whilst branding service providers have also been dedicated to extend their service scope which covers a complete marketing process mainly including preliminary market research, project organisation and planning, formulation and implementation of branding strategies, and evaluation of the implementation results. To showcase our data analytical capabilities to the potential customers and capitalise on the rapid growth in demand for data driven branding services in the PRC, we will also launch an user interface supported by our branding data platform and R&D database, which will enable us to offer our potential and existing customers

BUSINESS

with access to a comprehensive range of branding data, industry insights and marketing related information. Depending on the types and volume of the data required to be obtained by our customers and whether a preliminary market research report is required to be produced by us, we will charge our customers with separate service fees, which in turn can further diversify and drive up the revenue streams of our Group. The price to be charged for our Group’s user interface, which covers branding data, industry analysis and marketing information is on a cost-plus basis and may vary for different customers, which will be determined taking into consideration (i) the costs of the branding data and marketing information acquired by our Group; (ii) the amount and complexity of the data as requested by our customers; (iii) the time schedule set by our customers for providing the relevant services; and (iv) the prices for similar data charged by other third-party service providers in the market.

The following table sets out the breakdown of the estimated costs of establishing our branding data platform and R&D database:

	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED] (HK\$ million)
Engagement of IT service provider to develop and set up our branding data platform and R&D database	[REDACTED]
Procurement of hardware (i.e. server, computer and database)	[REDACTED]
Procurement of software (e.g. tooling, operating system, resource management, data mining and tracking related software)	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>

Cost and benefit analysis on the establishment of the branding data platform and R&D database as opposed to cooperating with third party research institutes

The following table sets forth the cost and benefit analysis on the establishment of the branding data platform and R&D database as opposed to cooperating with third party research institutes:

	For the year ending 31 December			
	2023 (RMB’000)	2024 (RMB’000)	2025 (RMB’000)	2026 (RMB’000)
The amount expected to be paid to third party research institutes ^(Note 1)	27,161	32,756	39,503	47,641

BUSINESS

	For the year ending 31 December			
	2023 (RMB'000)	2024 (RMB'000)	2025 (RMB'000)	2026 (RMB'000)
The expected percentage of decrease in the extent of reliance on third party research institutes as a result of the establishment of the branding data platform and R&D database ^(Note 2)	20%	25%	30%	35%
The expected amount of reduced expenses on engaging third party research institutes ^(Note 3)	5,432	8,189	11,850	16,674
Accumulated savings on engaging third party research institutes	5,432	13,621	25,471	42,145

Notes:

- The amount expected to be paid to third party research institutes in future years is estimated with reference to the compound annual growth rate of the third-party research expenses incurred by our Group for FY2020, FY2021 and FY2022.
- It is expected that with the establishment of the branding data platform and R&D database, we will be able to consolidate various industry data and marketing information from time to time, including branding strategies and environment across different industries, market positioning intelligence, customers' behaviours and preferences and competitive market landscape analysis in different industries. Further, to complement the development of our branding data platform and R&D database, we will also acquire more comprehensive market and industry data from various industry research groups to strengthen our data analytical capabilities. Through the above processes, it is expected that our Group will be able to possess and accumulate the market intelligence and market data of an increasing number of industries from time to time, thereby gradually reducing our reliance on third party research institutes for obtaining market data for our branding services projects in the forthcoming years.

The above cost and benefit analysis is prepared on the assumption that we will be able to reduce our reliance on third party institutes and universities by 20% in the first year of the establishment of the branding data platform, with an estimated 5% increment for each subsequent year as we accumulate more market data and intelligence in the future. The aforesaid percentage decrease in the reduction of reliance on third party research institutes is determined taking into consideration the tasks involved in branding service projects, and our Directors' assessment of the number of tasks which can be substituted by our branding data platform and R&D database, which mainly include research works on industry trend and analysis, competitive market landscape, consumers' behaviours and preferences, etc..
- The expected amount of reduced expenses on engaging third party research institutes is calculated by multiplying the expected percentage of decrease in the extent of reliance on third party research institutes by the amount expected to be paid to third party research institutes for the relevant year.

BUSINESS

As disclosed in the paragraph headed “Business – Business strategies – Amount of funds to execute our business strategies” in this section, the aggregate amount to be invested on the establishment of the branding data platform and R&D database is estimated to be approximately [HK\$22.4 million] (equivalent to approximately [RMB20.5 million]). As we implement our branding data platform and R&D database in the future and as shown in the above table, we expect that our total amount in reduced expenses on engaging third party institutes will exceed our investment amounts from 2025 onwards.

In or around November 2021, in contemplation of the [REDACTED], our Directors started to explore potential qualified service providers which can fulfill our needs and requirements for establishment of the branding data platform and R&D database as part of our future development plan. It was the intention of the Directors to secure a quality service provider at an early stage with due regard to the (i) scope and quality of the services; (ii) track record and credentials; (iii) pricing; and (iv) after sales services and maintenance, thereby facilitating the smooth implementation of our future development plan for establishment of the branding data platform and R&D database after the [REDACTED].

Our Group entered into a service agreement dated 25 November 2021 and a supplemental agreement dated 28 March 2022 (collectively, the “**Service Agreements**”) with an independent IT service provider (the “**Service Provider**”), pursuant to which our Group engaged the Service Provider to provide design and development services for establishment of the branding data platform and R&D database. The total contract sum for establishment of the branding data platform under the Service Agreements amounted to approximately RMB20.5 million (equivalent to HK\$22.4 million). Pursuant to the Service Agreements, our Group utilised its internal fund and made the deposit payment for the branding data platform and R&D database in the amount of approximately RMB3.8 million (equivalent to HK\$4.7 million) to the Service Provider by 31 January 2021.

Our Directors decided to enter into the Service Agreements with the Service Provider after considering the following factors:

- (1) we had checked and reviewed the background of the Service Provider. Based on the information available in the public domain, the Service Provider was established in July 2010 and has a long history of operation. It is accredited as a “High and New Technology Enterprise” of the PRC and possesses extensive experience in the design and development of data platforms for companies from various industries and different provinces of the PRC. Our Directors believe that the extensive experience of the Service Provider in the field of data platform can fulfil our business needs and requirements for the establishment of our branding data platform; and
- (2) we had obtained and reviewed service proposals and fee quotations from three different independent companies (including the Service Provider) for the design and development of the branding data platform, and our Directors considered that the price offered by the Service Provider was reasonable taking into consideration the scope of services and the credentials and experience of the Service Provider.

BUSINESS

Subsequently, taking into account (i) the updated timetable for [REDACTED]; (ii) the funding required to complete the establishment of the branding data platform; and (iii) the fact that other relevant future development initiatives, including acquiring more comprehensive market and industry data and recruitment of additional staff for our R&D department, which can complement the use of our branding data platform, will only be implemented upon [REDACTED], our Group and the Service Provider therefore agreed to postpone the implementation of the design and development works of the branding data platform to the [REDACTED] so as to optimise the synergy effects of the establishment of the branding data platform together with implementation of other further development initiatives upon [REDACTED].

(ii) Acquire more comprehensive market and industry data

With the proliferation of the internet, social media, mobile devices and sensors, massive volume of data can be generated covering, among others, data and information relating to (i) the latest market development across various industry sectors; (ii) different consumer groups’ behaviours and preferences; (iii) target audience of different marketing and advertising means; (iv) the latest industry trend and potential demands in the local market; and (v) the effectiveness of different types of branding, advertising and marketing strategies as confirmed by Frost & Sullivan.

In order to strengthen our strategy formulation, monitoring and evaluation capabilities, and to complement the development of our branding data platform and R&D database, we intend to acquire more comprehensive market and industry data to strengthen our strategy formulation capabilities in (i) assessing the latest market trend; (ii) satisfying the evolving demands and business needs of our customers; and (iii) analysing different forms of branding, advertising and marketing solutions best suitable for our customers to achieve their marketing objectives. For example, more industry data on consumer groups’ behaviours and preferences would allow us to offer our branding, advertising and marketing solutions with higher precision targeted at audience selected by our customers. More comprehensive data for monitoring the execution of advertising solutions on multiple channels including TV, online and outdoor platforms would allow us to strengthen our capability as a multi-channel advertising service

BUSINESS

provider. More data for evaluating the effectiveness of various branding, advertising and marketing solutions would allow us to strengthen our market position in the branding, advertising and marketing solution services market in the PRC.

The following table sets forth the details of the data intended to be acquired by our Group:

Data to be acquired	Functions	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED]
		<i>(HK\$ million)</i>
<ul style="list-style-type: none"> – advanced data from an industry research consultancy group (<i>Note 1</i>) on (i) online consumers’ behaviours and preferences across different industry sectors; (ii) analysis on product portfolio and promotion mechanism of various advertising platforms; (iii) market positioning intelligence; and (iv) competitive market landscape analysis 	<p>To offer branding, advertising and marketing proposals with higher precision through obtaining more comprehensive data in terms of online consumers’ behaviours and preferences across different industry sectors; the latest industry trend and marketing information</p>	<p>[REDACTED]</p>
<ul style="list-style-type: none"> – advanced data from an international market research consultancy group (<i>Note 2</i>) on (i) spending patterns and projected demands from high-end consumers and government authorities in the PRC; (ii) macroeconomics research, market segmentation and sizing analysis; (iii) competitive strength of different market players and (iv) branding strategies of various government authorities on positioning and promotion of images of cities and brands 	<p>To provide our customers with more in-depth analysis on the market demands and spending patterns by high-end consumers and government authorities in the PRC; and formulating our service proposals with reference to the latest market research data</p>	<p>[REDACTED]</p>

BUSINESS

Data to be acquired	Functions	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED]
– advertising/monitoring data from a media monitoring company (<i>Note 3</i>) on (i) implantation of TV advertisements; (ii) effects of online advertisements on the number and types of internet users covered, gross rating point and reach rate; and (iii) viewership on different online video platforms and browsing data from different types of mobile applications	To strengthen advertising resources planning and provide our customers with comparative analysis on the effectiveness of using different types of advertising resources and platforms which in turn enables us to formulate advertising services proposals with higher accuracy and efficiency	<i>(HK\$ million)</i> [REDACTED]
– advanced data from a well-known market research company based in the PRC (<i>Note 4</i>) on (i) online branding and sales strategies adopted by market players; (ii) analysis of various e-commerce platforms and their target audience; (iii) latest industry trend for digital branding and advertising solutions; and (iv) consumption pattern of smart device users on e-commerce platforms	To monitor the effectiveness of various online branding and advertising strategies, the behaviours and preferences of the smart device users, the target audience of various e-commerce platforms, and allow our customers to adjust their branding and marketing strategies accordingly	[REDACTED]

BUSINESS

Data to be acquired	Functions	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED]
		<i>(HK\$ million)</i>
<p>– advanced data from a well-known market research company based in the PRC (<i>Note 5</i>) on</p> <p>(i) quantitative analysis based on the frequency, length of time in browsing, number of impression and clicks and download times of different types of mobile applications and online platforms; and (ii) market data on the latest market environment and industry development trends and assessment of potential demands and growth potential in different industries.</p>	<p>To conduct competitive and quantitative analysis on the popularity and quality of different types of advertising and marketing resources through comparing the effectiveness of different mobile applications and online platforms and the behaviours and preferences of their users and obtain the latest information on the market environment and industry development trends of various industries, so as to allow us to provide corresponding evaluation services when we develop branding content in our branding services</p>	<p>[REDACTED]</p>
	Total	[REDACTED]

Notes:

1. Such industry research consultancy group is a provider of data, analytics and consulting services in China and possesses research expertise in the online marketing, e-commerce, mobile internet, big data and Internet finance sectors. It has served clients covering various sectors, including advertising, public relations, retail, telecommunication, investment, consumer goods, government and public services.
2. Such market research consultancy group is a global market research group with offices in different countries and is principally engaged in, among others, conducting market research on market size, competitive landscape, policies affecting the industry and the general market trend of various industry sectors.
3. Such media monitoring company is principally engaged in the monitoring of placement data of advertisements on television and online platforms and assists brand owners and advertising agents to evaluate and enhance the effectiveness of the advertisement placements.
4. Such market research company is principally engaged in marketing data analysis of various industries and conducting research on various branding or marketing subjects, including, among others, marketing and strategy effectiveness assessment, pricing strategies for different groups of customers, study on consumers’ consumption behaviour and attitude, and analysis on market growth, competitiveness landscape and prospects of different industries.
5. Such market research company is a marketing data and analytics company and is principally engaged in, among others, monitoring and collection of purchase data and behaviour of consumers on different media platforms and across different industries.

BUSINESS

(iii) Recruitment of additional staff for our R&D department

In line with the development of our branding data platform and R&D database, and to further strengthen our capabilities in conducting data analysis and formulating effective branding, advertising and marketing solutions to meet the evolving business needs and marketing objectives of our customers, our Directors consider that it is important to recruit two research experts who are specialised in data analysis and market research on branding, advertising and marketing related services to (i) operate and maintain our branding data platform and R&D database; (ii) provide data analysis and R&D support to our strategy formulation team for developing tailor made branding, advertising and marketing solutions to our customers; (iii) improve the quality and precision of our advertising and marketing services proposals; (iv) assess and ascertain the accuracy and completeness of the market information and industry data provided to our customers; and (v) prepare evaluation reports on the effectiveness of our branding, advertising and marketing services proposals.

The research experts will be supported by the existing staff in our R&D department to execute and implement the above objectives and provide better market research and data analysis support for our business operation. The research experts will also provide internal trainings and know-how sharing to the staff in our R&D department so that they can also contribute to the operation and technical maintenance of the branding data platform and R&D database on top of their existing responsibilities. For further details of our R&D department, please refer to the paragraph headed “Research and Development” in this section.

The following table lists out the experience and qualification required from the research experts to be recruited for our R&D department:

Position	Minimum year(s) of relevant experience	Qualifications	Estimated amount for two years to be funded by the [REDACTED] from the [REDACTED] (HK\$ million)
Two research experts	Fifteen years of experience or above in data analysis and market research on media and communication, digital marketing, branding and advertising communication and promotion	Doctoral degree in data research, advertising, marketing, media and communication or related disciplines	[REDACTED]

BUSINESS

In view of the above, we intend to utilise approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to strengthen our data analytical capabilities and further enhance our branding services among which, (i) approximately HK\$[22.4] million, representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] on establishing our branding data platform and R&D database; (ii) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for acquiring more comprehensive market and industry data; and (iii) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for recruitment of additional staff for our R&D department. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

Continue to expand our online media advertising services

We intend to continue to expand our online media advertising services through (i) enhancing our online media advertising platform; and (ii) developing our in-house content production capabilities so as to capture the growing business opportunities in the online media advertising services market in the PRC.

(i) Enhance our online media advertising platform

According to Frost & Sullivan, China’s online media advertising services market has experienced significant growth in recent years. The expenditure of advertisers in online media advertising services market in China increased from approximately RMB351.8 billion in 2017 to approximately RMB766.2 billion in 2022, representing a CAGR of 16.8%. In the future, the expenditure of advertisers in online media advertising services market in China is expected to grow further at a CAGR of 9.9% between 2022 and 2027 and reach approximately RMB1,227.4 billion by the end of 2027. Further, compared to offline media advertising such as TV advertising and outdoor advertising, online media advertising has the advantages that online media advertising has wider coverage, the effectiveness and performance of online media advertising can be monitored and measured, and online media advertising can precisely reach target audience. With such advantages, online media advertising has gradually gained popularity among advertisers, with the proportion of online media advertising in China’s advertising services market increasing from 56.8% in 2017 to 73.5% in 2022 in terms of advertisers’ expenditure.

We have begun providing online media advertising services to our customers in 2018 and generated revenue of approximately RMB18.5 million for FY2020. Our revenue generated from online media advertising services increased to approximately RMB46.2 million and RMB48.1 million for FY2021 and FY2022, representing a growth of approximately 150.2% and 4.2%, respectively. In view of (i) the potential opportunities brought by the growth of China’s online media advertising services market as mentioned above; and (ii) the growth of the revenue from online media advertising, our Directors are optimistic about the demand and future development of the online media advertising services market in China. Currently, we maintain an online media advertising platform which we mainly use to promote our online media advertising business. In order to further expand our online media advertising services and capture the potential business opportunities in the online media advertising market, we plan to enhance our online media advertising platform by building in three new

BUSINESS

systems into our online media advertising platform, namely (1) online media advertising effect monitoring and evaluation system; (2) precision online media advertising data analysis system; and (3) online media advertising data management system. The precision online media advertising data analysis system will enable us to collect, consolidate and analyse the online media advertising data from various online media platforms, and assist the customers to precisely identify the target audience of the online advertisements and devise the relevant advertising strategy to ensure that the online advertisements are placed to the appropriate recipients, thereby enhancing the effectiveness of the online media advertisement placements. In particular, under the precision online media advertising data analysis system, with the support of our branding data platform as described in the paragraph headed “Strengthen our data analytical capabilities and further enhance our branding services” above, it will consolidate various information on consumers’ behaviours and preferences across different industry sectors, viewership and target viewers on different online advertising platforms. Such system will then analyse the business nature of our customers, and provide suggestions on the target audience and the appropriate advertising media platforms which can maximise the exposure of the advertisements to the target audience. Further, such system will also monitor the advertising placement strategies of the competitors of our customers, and enable our customers to make reference to them in devising or fine-tuning their own advertising placement strategies.

After the placement of advertisements by the customers, the online media advertising effect monitoring and evaluation system will collect and analyse the data of the online media advertisement placed on various online media platforms, and generate evaluation report on the effectiveness of our online media advertising strategies based on the information and data collected from the online media platforms. Such evaluation report allows our customers to have real-time monitoring on the online media advertisement placement process, and enables them to efficiently identify the potential issues and make the necessary adjustments so as to enhance the overall effectiveness of the online advertisement placements. In the absence of the online media advertising effect monitoring and evaluation system, currently we are only able to inspect the status of the placement of advertisements and ascertain whether there is any omission or mistake in the placement of advertisements by relying on the random inspection performed by our employees and the reports issued by the advertising media platforms, and such reports are generally only available after one week or month after the placements of advertisements. With the implementation of the above monitoring and evaluation system, it will regularly monitor and consolidate data on the advertisements placed on various media platforms, such as the duration of the advertisements placed on various platforms, the number of viewership and clicks, etc., and enable us to monitor the advertisements placed on a real-time basis and identify any irregularities instantly during the entire advertisement placements period.

Further, the online media advertising data management system will consolidate the data on online advertisement placements and allow us to directly obtain the data on the results of online advertisement placements, thereby enhancing our efficiency of preparing evaluation reports and management of the online media advertising projects. In the absence of the online media advertising data management system, currently we need to separately liaise with various advertising media platforms to obtain the data relating to the placement of advertisements. We

BUSINESS

will then need to manually review and consolidate the data obtained from the various platforms and compile the summary reports for our customers. With the implementation of the above data management system, it serves as a centralised system which will monitor and consolidate the data on the placement of advertisements on various platforms, and automatically generate the summary reports to our customers, thereby saving the time and labour cost of liaising with various advertising media platforms and reviewing and consolidating the data obtained therefrom.

According to Frost and Sullivan, online media advertising services providers with experiences in applying new technologies on precision marketing and effecting monitoring can maintain competitive advantages and obtain greater market share. We believe that these new systems will enhance our capability to monitor and evaluate the effectiveness of the online advertisement placed on various third-party online media platforms by our customers and add value to the existing online media advertising services provided by us to the customers, thereby increasing our competitiveness to capture the growing business opportunities in the online media advertising services market in the PRC. As at the Latest Practicable Date, our Group did not have plans to allow our customers to directly place advertisements on our online media advertising platform.

The following table sets forth the breakdown of the estimated costs for enhancing our online media advertising platform:

	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED] (HK\$ million)
Engagement of IT service provider to enhance our online media advertising platform	[REDACTED]
Procurement of hardware (e.g. server, computer and database)	[REDACTED]
Procurement of software (e.g. operating system, data management and advertisement monitoring software)	<u>[REDACTED]</u>
Total	<u><u>[REDACTED]</u></u>

BUSINESS

(ii) Develop in-house content production capabilities

During the Track Record Period, we did not have in-house team for the production of content of online media advertisements and were mainly responsible for the planning and formulation of the advertising strategy and contents of the online advertisements. Although we can still conduct our online media advertising business under the above arrangement, the absence of in-house content production capabilities has restricted our ability to undertake online media advertising projects of large contract sum and limited the growth of our online media advertising business. Our Directors consider that customers for large-scale online media advertising projects generally approach advertising service providers which have in-house content production capabilities. According to Frost & Sullivan, customers of large-scale online media advertising projects generally have more stringent requirements on the production of the content of online advertisements and would generally prefer established advertising service providers with in-house content production capabilities to better oversee and implement their online media advertising plans. During the Track Record Period, our Group failed to secure six online media advertising projects with the expected aggregate contract value of approximately RMB30 million due to the lack of in-house capability for production of contents of the online advertisements. In order to demonstrate to the potential customers of our ability to undertake large-scale online media advertisement projects and avoid the loss of business opportunities due to lack of in-house production capability, we plan to develop our in-house content production capabilities through setting up of video studio premises and purchase of equipment and software, such as photography and video shooting equipment, video editing software, sound recording and lighting equipment. In particular, we intend to purchase high quality video shooting equipment and accessories with better performance on image quality and stability so as to enhance the quality of the advertisement videos to be produced for customers, which we believe can further increase the attractiveness of our online media advertising services to potential customers. Leveraging on (i) our brand reputation established in the branding, advertising and marketing solution service market throughout the years; and (ii) in-depth understanding on the advertising objectives, preferences and needs of our customers, our Directors were confident that, with the development of our in-house production capabilities, our competitiveness will be further enhanced and our Group will be better positioned to undertake more sizeable projects from large-scale customers and capture the growing business opportunities in the online media advertising market in the PRC.

The below table sets out the breakdown of the estimated costs for developing our in-house content production capabilities:

	Estimated amount for two years to be funded by [REDACTED] from the [REDACTED] (HK\$ million)
Setting up of video studio premises	[REDACTED]
Purchase of equipment and software (e.g. photography and video shooting equipment, video editing software, sound recording and lighting equipment)	[REDACTED]
Total	[REDACTED]

BUSINESS

In view of the above, we intend to utilise approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to enhance our online media advertising platform and develop in-house content production capabilities to capture the growing opportunities in the online media advertising market in the PRC among which, (i) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] on enhancing our online media advertising platform; and (ii) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for developing in-house content production capabilities. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

As advised by our PRC Legal Advisers, (i) pursuant to the confirmation issued by and the interview conducted with Hubei Communications Administration* (湖北省通信管理局), the functions and usages of the branding data platform and R&D database and the enhanced online media advertising platform belong to non-operational Internet information services (非經營性互聯網信息服務) and the Permit for Operation of Value-added Telecommunication Business (增值電信業務經營許可證) is not required, (ii) the development of in-house content production capabilities only covers the production of advertising videos and does not involve the production of movies or television programmes, and (iii) the above activities do not fall under the scope of foreign-restricted investment under the “Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021)” (外商投資准入特別管理措施(負面清單)(2021年版)). Based on the above, our PRC Legal Advisers are of the view that the operation of the branding data platform and R&D database, enhancement of online media advertising platform and the development of in-house content production capabilities will not be subject to foreign ownership restriction under the PRC laws.

Expand the geographical reach of our services

We intend to expand the geographical reach of our branding, advertising and marketing solution services by establishing offices in Beijing and Shanghai.

Based on our Directors’ experience and as advised by Frost & Sullivan, customers would generally select branding, advertising and marketing solution service providers with local presence which are familiar with the local customers’ preference, market demand and business environment. It is therefore an industry norm for branding, advertising and marketing solution service providers to establish presence in different cities to strengthen their market position and thereby further expand the geographical reach of their services and increase their market share in the PRC. In addition, service providers with local presence are usually perceived as having better knowledge and insight of the local market environment and therefore enjoy higher degree of competitive advantage over other market competitors without local presence when providing tailor-made branding, advertising and marketing solution services to the local customers.

BUSINESS

Although the implementation of our certain services, such as online advertising services, can be performed over the Internet or mobile application, we generally need to have a number of physical meetings with our customers at the preliminary planning stages of our service proposals and prior to implementation thereof. In particular, we will need to have detailed discussion with the management of our customers to understand their background, expectations and marketing and advertising objectives so as to devise the appropriate advertising proposal which can fulfil the needs of our customers. We will then discuss the preliminary advertising proposals with our customers, and fine-tune our draft proposals according to their feedback before the actual implementation thereof. Since our advertising proposals will be tailor-made for our customers who generally expect us to have close and timely communication with them, the establishment of offices in Beijing and Shanghai will facilitate the communication with our potential customers in Northern China and Eastern China and enhance their confidence in our Group, thereby increasing the likelihood of securing service projects in the future.

During the Track Record Period, we mainly carried out our business operations through our two offices in Wuhan and Macheng, both of which are located in Hubei Province. Leveraging on our (i) capability in formulating branding, advertising and marketing solutions to our customers as well as our established market reputation and proven track record; (ii) our knowledge and experience in the local market dynamics, industry practice and preferences of the local customers; and (iii) our well-established relationships with the customers and suppliers based in Hubei Province, we were able to provide our services to customers based in Central China, covering the major cities in Hubei Province, Anhui Province and Jiangxi Province. As advised by Frost & Sullivan, sizable advertisers and customers are more confident in branding, advertising and marketing solution service providers which have established local presence with their offices and execution staff/teams based in the local or surrounding regions and tend to engage these service providers as they are considered to have more local support and insights in the demands and preferences of the local consumers/audience, thereby enhancing the effectiveness and efficiency of the branding, advertising and marketing solutions.

In addition, during the Track Record Period, we were granted free use of two properties by Independent Third Parties as our correspondence addresses in Hubei Province, which were only used to facilitate the communication between the Group and our suppliers. For further details, please refer to the paragraph headed “Property” in this section.

In line with our business development plan to expand our geographical reach in different regions in the PRC, we intend to strategically strengthen our business presence in Northern China and Eastern China by establishing offices in Beijing and Shanghai so as to better position ourselves to promote and market our services to the local customers based in these regions.

(i) Setting up Beijing office

According to Frost & Sullivan, Beijing is considered as the political hub and one of the key business and commercial hubs in the PRC, which provides great potential for business expansion. In order to expand the geographical reach of our business, our Directors plan to

BUSINESS

establish an office in Beijing so as to enable us to better promote and offer our services to customers based in Northern China. According to Frost & Sullivan, Northern China is one of the major markets of the integrated branding, advertising and marketing solution service industry in the PRC. In particular, in 2022, the market size of the integrated branding, advertising and marketing solution service in Beijing was approximately RMB38.6 billion with a CAGR of approximately 10.8% from 2017 to 2022; and the market size is expected to grow with a CAGR of approximately 8.4% from 2022 to 2027.

BUSINESS

We believe that the establishment of an office in Beijing will enable us to expand our reach to more customers in the PRC so as to capture the growing business opportunities in Northern China. According to Frost and Sullivan, it is common that customers from various industries would specify in their tender invitations, either as an entry threshold or a major scoring item for tender evaluation, that they require or prefer branding, advertising and event execution service providers which have local offices in their region. The establishment of an office in Beijing will increase our chance of securing potential projects from public tenders in Northern China.

In addition, our physical presence in Beijing will allow our services to be more accessible for customers based in Northern China as the Beijing office will provide a physical platform for our customers to have face-to-face and timely interactions with us. We have from time to time received enquiries for branding, advertising and marketing solution services from potential customers based in Northern China. However, since our headquarter is located in Wuhan, many of these potential customers raised concerns that (i) it is inconvenient and costly for them to visit our headquarter in Wuhan; (ii) we may not be able to handle their enquiries on a face-to-face and timely basis; (iii) we may not be familiar with the local market dynamics, industry practice and consumers’ preferences and behaviours without a local office and business network in Beijing; and (iv) we are unable to fulfil the pre-requisite condition of certain projects which require the service provider to have a local office with our project team members to provide on-site services, resulting in our Group not being able to obtain four projects from the potential customers based in Northern China with a total estimated contract sum of approximately RMB39 million during the Track Record Period. As it is key to maintain close and on-going communication between the service providers and customers during the process of providing branding, advertising and marketing solution services, customers generally expect their branding, advertising and marketing solution service providers to have local presence in their region to enable more direct contacts, convenient communications and prompt responses from the service providers through face-to-face meetings in a short period of time. Therefore, the establishment of the Beijing office would enable our Group to address the above concerns raised by the potential customers, enhance our visibility and penetration in Northern China, increase our chance of participating in public tenders and successful tenders for customers located in Northern China and capitalise the business growth and opportunities in such region.

For FY2020, FY2021 and FY2022, the aggregate revenue generated from our customers based in Northern China amounted to approximately RMB0.5 million, RMB8.6 million and RMB13.6 million, respectively, representing approximately 0.4%, 5.5% and 6.6% of our total revenue during the same periods. During the Track Record Period, we have maintained a correspondence address in Beijing to facilitate the communication between the Group and our suppliers based in Beijing. For further details, please refer to the paragraph headed “Property” in this section. However, we had no business operation nor any staff based in Beijing during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that it would be advantageous for our Group to establish office in Beijing to enhance our market visibility and to capture the market growth in Northern China. Further, we have also entered into framework agreements with three local customers based in Northern China (“**Northern China Potential Customers**”) for a term of 12 to 13 months under which these customers may engage the Group to provide branding services with the aggregate contract amount capped at RMB15.8 million. All of the Northern China Potential Customers are our recurring customers,

BUSINESS

and are principally engaged in the businesses of research, development and sale of agricultural machineries and vehicles, and production and sale of alcohol and protein beverages. While we have entered into framework agreements with the Northern China Potential Customers, we need to further negotiate and enter into separate service agreements with those customers to proceed with the transactions contemplated under the framework agreements. As discussed above, we had in the past encountered the situation that we failed to obtain certain projects from potential customers in Northern China due to our absence of local office in Northern China and their concerns on communication and meeting with our Group under short notice during project implementation. As such, the establishment of the Beijing office serves to strengthen the confidence of the Northern China Potential Customers in us, thereby enhancing the communication with the customers to discuss the details of the transactions contemplated under the framework agreements. In addition, as at the Latest Practicable Date, we were in negotiation with three customers based in Northern China, with the estimated aggregate contract sum of not more than RMB21.5 million. Therefore, it has been demonstrated that there are business opportunities for us to expand and we indeed are in the process of securing business contracts in such region.

(ii) Setting up Shanghai office

While the Beijing office will mainly cover our business expansion in Northern China, it is part of our Group’s long-term business strategy to further expand our geographical reach in the PRC by establishing an office in Shanghai to capture the business growth and opportunities in Eastern China. In particular, according to Frost & Sullivan, in 2022, the market size of the integrated branding, advertising and marketing solution services in Shanghai was approximately RMB40.9 billion with a CAGR of approximately 10.6% from 2017 to 2022; and the market size is expected to grow at a CAGR of approximately 9.8% from 2022 to 2027.

We believe that the establishment of an office in Shanghai will enable us to expand our reach to more customers in the PRC so as to capture the growing business opportunities in Eastern China. According to Frost and Sullivan, it is common that customers from various industries would specify in their tender invitations, either as an entry threshold or a major scoring item for tender evaluation, that they require or prefer branding, advertising and event execution service providers which have local offices in their region. The establishment of an office in Shanghai will increase our chance of securing potential projects from public tenders in Eastern China.

Our physical presence in Shanghai will also allow our services to be more

BUSINESS

accessible for customers based in Eastern China as the Shanghai office will provide a physical platform for our customers to have face-to-face and timely interactions with us. Similar to the potential customers based in Northern China, the local customers based in Eastern China have raised concerns that (i) it is inconvenient and costly for them to visit our headquarter in Wuhan; (ii) we may not be able to handle their enquiries on a face-to-face and timely basis; (iii) we may not be familiar with the local market dynamics, industry practice and consumers’ preferences and behaviours without a local office and business network in Shanghai; and (iv) we are unable to fulfil the pre-requisite condition of certain projects which require the service provider to have a local office with our project team members to provide on-site services, resulting in our Group not being able to obtain four projects from the potential customers based in Eastern China with a total estimated contract sum of approximately RMB27 million during the Track Record Period. As it is key to maintain close and on-going communication between service providers and customers during the process of providing branding, advertising and marketing solution services, customers generally expect their branding, advertising and marketing solution service providers to have local presence in their region to enable more direct contacts, convenient communications and prompt responses from the service providers through face-to-face meetings in a short period of time. Therefore, the establishment of the Shanghai office would enable our Group to address the above concerns raised by the potential customers, enhance our visibility and penetration in Eastern China, increase our chance of participating in public tenders and successful tenders for customers located in Eastern China and capitalise the business growth and opportunities in such region.

For FY2020, FY2021 and FY2022, the aggregate revenue generated from our customers based in Eastern China amounted to approximately RMB27.0 million, RMB24.9 million and RMB54.7 million, respectively, representing approximately 26.1%, 15.8% and 26.6% of our total revenue during the same periods. Our Directors believe that it would be advantageous for our Group to establish office in Shanghai to enhance our market visibility and to capture the market growth in Eastern China. After the Track Record Period and up to the Latest Practicable Date, we have further entered into 17 service agreements with customers based in Eastern China with the total contract sum of approximately RMB142.6 million. Further, we have also entered into framework agreements with three local customers based in Eastern China (“**Eastern China Potential Customers**”) for a term of 30 months under which these customers may engage the Group to provide branding services with the aggregate contract amount capped at RMB83.0 million. All of the Eastern China Potential Customers are our recurring customers, and are principally engaged in the businesses of automobile and research, development and sale of locks and security systems. While we have entered into framework agreements with the Eastern China Potential Customers, we need to further negotiate and enter into separate service agreements with those customers to proceed with the transactions contemplated under the framework agreements. As discussed above, we had in the past encountered the situation that we failed to obtain certain projects from potential customers in Eastern China due to our absence of local office in Eastern China and their concerns on communication and meeting with our Group under short notice during project implementation. As such, the establishment of the Shanghai office serves to strengthen the confidence of the Eastern China Potential Customers in us, thereby enhancing the communication with the customers to discuss the details of the transactions contemplated under the framework agreements. In addition, as at the Latest Practicable Date, we were in negotiation with five customers based in Eastern China,

BUSINESS

with the estimated aggregate contract sum of not more than RMB50 million. Therefore, it has been demonstrated that there are business opportunities for us to expand and we indeed are in the process of securing business contracts in such region.

Beijing and Shanghai, as political center and economic center in the PRC respectively, have enjoyed rapid development and attracted large number of enterprises settled, which stimulated vigorous demand for branding, advertising and event execution and production services as confirmed by Frost & Sullivan. Moreover, there are sufficient and quality media platforms and advertising resources and favourable government policies to support the rapid development of branding, advertising and marketing solution services market in Beijing and Shanghai. In future, according to Frost & Sullivan, with the further integrated development of regional economies, including Yangtze River Delta (長江三角洲地區) with Shanghai as center and Jing-jin-ji Region (京津冀地區) with Beijing as center, there will be growing demand for branding, advertising and marketing solution services from potential customers in those surrounding areas, which is conducive for market players to further expand their business.

Following the outbreak of COVID-19, as confirmed by Frost & Sullivan, taking into account the potential quarantine measures, lockdown restrictions, and travel suspension which may be imposed by their local governments, we have also witnessed the growing trend for customers based in Beijing and Shanghai to engage branding, advertising and marketing solution service providers which have local staff stationed in local offices so as to better provide timely support and on-site services to address their branding, advertising and marketing solution needs and requirements, and thereby avoid the complication arising from these initiatives to deal with COVID-19.

In respect of the setting up of offices in Beijing and Shanghai, we had considered the following to assess that there will be notable demand for our services in Beijing and Shanghai:

- (i) there are favourable government policies towards the development of branding, advertising and marketing solution service markets in Beijing and Shanghai. According to Frost and Sullivan, the Shanghai Municipal People’s Government proposed the strategy of “Four Major Brands (四大品牌)” in 2018 and took the development of advertising market as one of the special action plans of establishing the “Service Brand of Shanghai (上海服務品牌)”, while the Beijing Municipal People’s Government proposed the “Construction Plan of Market Supervision System During 13th Five Year Plan in Beijing” (北京市“十三五”時期市場監管體系建設規劃)” in 2016 to standardise the advertising business behaviours and promote the steady growth of advertising market in Beijing. Subsequent to the issuance of the above strategy and development plan, in September 2019, the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and Shanghai Municipal Commission of Commerce issued the “Notice on Certain Measures on Promotion of Traditional Brands of Domestic State-Owned Enterprises” (關於推進本市國有企業重振老字號品牌的若干措施的通知), and strengthened the promotion of brand culture and image of traditional brand names in various media channels. In March 2020, the Beijing Municipal Commission of Commerce issued the “Notice on Certain Measures on Promotion of the Steady Development of Commercial Advisory Service Industry” (關於促進商務諮詢服務業健康發展的若干措施的通知), pursuant to which the Beijing Municipal People’s

BUSINESS

Government would, among others, strengthen the financial support on the promotion of the advertising industry in Beijing. These policies have provided a favorable environment for the long-term development of the branding, advertising and marketing solution service markets in Beijing and Shanghai;

- (ii) as confirmed by nine existing customers which have established offices in Beijing or Shanghai or have demand for branding, advertising and marketing solution services in Northern China and Eastern China, of which their aggregate revenue contribution to our Group amounted to approximately 49.5%, 23.8% and 26.2% of our total revenue for FY2020, FY2021 and FY2022, respectively, they considered that the location of service providers is one of the key factors in considering the engagement of a branding, advertising and marketing solution service provider. They were of the view that the setting up of offices in Beijing and Shanghai by our Group will facilitate their communication with our Group on the planning, implementation and monitoring of our branding, advertising and marketing solution service, and may consider engaging our Group for our branding, advertising and marketing solution service in Northern China or Eastern China regions if we have established offices in Beijing and Shanghai;
- (iii) as discussed above, we have separately entered into framework agreements with each of the Northern China Potential Customers and the Eastern China Potential Customers. As confirmed by the Northern China Potential Customers and the Eastern China Potential Customers, (1) the location of service providers is one of the key factors in considering the engagement of a branding, advertising and marketing solution service provider; (2) the aforesaid framework agreements were entered into on the understanding that our Group will establish offices in Beijing and Shanghai; and (3) our presence in Beijing and Shanghai will facilitate the discussion and implementation of the transactions contemplated under the aforesaid framework agreements;
- (iv) according to Frost & Sullivan, large-scale branding, advertising and marketing solution service providers in Beijing and Shanghai usually target and prefer more sizable customers. Further, for the purpose of achieving economies of scale in operation, some leading branding, advertising and marketing solution service providers in Beijing and Shanghai primarily focus on single advertising media resources such as online advertising media resources, and do not offer other forms of advertising resources such as offline resources or event production services. Considering that sizable branding, advertising and marketing solution service providers generally specialize in and possess expertise in offering a particular type of advertising resources, more sizable customers, which have more budget for brand promotion and advertising, tend to obtain various advertising media resources separately from different sizable service providers instead of from integrated service providers like the Group, with an aim to obtain the best resources under different advertising media to maximize the viewership and advertising effect;

BUSINESS

In contrast, we target small-to-medium-sized private companies (comprising the majority of the companies established in Beijing and Shanghai) from different industries, which generally have limited marketing budget and prefer to engage a single service provider which is able to offer diversified advertising media resources. As such, our ability to offer diversified advertising media resources comprising both offline and online advertising media resources and event execution and production services can cater for the needs of this customer segment and allow us to provide more flexible and comprehensive solutions for our target customers. In addition, as compared to large-scale branding, advertising and marketing solution service providers, we believe we are able to make decisions and respond to our customers’ requirements more quickly. We consider that we are different from those large scale service providers and we are not in direct competition with them, and that the difference in target customers, service offerings and efficiency in responding to customers’ requests between those large-scale branding, advertising and marketing solution service providers and us will provide us with potential business opportunities in Beijing and Shanghai; and

- (v) according to Frost & Sullivan, Beijing and Shanghai are two major markets of the integrated branding, advertising and marketing solution service industry in the PRC, accounting for approximately 3.7% and 3.9% of total market size in the PRC in terms of total expenditure in FY2022, respectively. The market size of the integrated branding, advertising and marketing solution service in Beijing and Shanghai grew at CAGRs of approximately 10.8% and 10.6% between 2017 to 2022 and are expected to grow at CAGRs of approximately 8.4% and 9.8% between 2022 and 2027, respectively. All these indicate the market demand for integrated branding, advertising and marketing solution services in Beijing and Shanghai in the future.

While there may be fierce competition among branding, advertising and marketing solution service providers in Beijing and Shanghai, we believe that we possess the capabilities to capture the increasing market demand in Beijing and Shanghai. According to Frost & Sullivan, customers would generally prefer to engage branding, advertising and marketing solution service providers whom they have worked with in the past and are familiar with their business models, nature of products and services and marketing strategies so as to facilitate the preparation of tailor-made advertising or branding proposals which can suit their marketing needs. As mentioned above, nine of our existing customers, which have established offices in Beijing or Shanghai and accounted for approximately 49.5%, 23.8% and 26.2% of our total revenue for FY2020, FY2021 and FY2022, respectively, have confirmed that they will consider engaging our Group for our branding, advertising and marketing solution service in Northern China or Eastern China regions if we have established offices in Beijing and Shanghai. Further, we have entered into framework agreements with three Northern China Potential Customers and three Eastern China Potential Customers, all of whom are our recurring customers, with the proposed aggregate contract amount capped at RMB15.8 million and RMB83.0 million, respectively. Therefore, our Group intends to capture new business opportunities in Beijing and Shanghai by focusing on strengthening our communication with our existing customers and exploring new projects from them. Through execution of branding, advertising and marketing solution services projects for our existing customers, we believe that we will be able to gradually build up our brand name and reputation in Beijing and Shanghai markets leveraging (i) our proven track record in providing full-scale and quality branding, advertising and marketing solution services; (ii) our capabilities in strategy formulation and data analysis; and (iii) our well-established business relationship with our customers and suppliers, which in turn will further strengthen our capabilities to secure projects from new customers in these two regions.

BUSINESS

The following table sets forth the breakdown of the estimated costs for establishing offices in Beijing and Shanghai:

	Estimated amount for two years to be funded by the [REDACTED] from the [REDACTED] (HK\$ million)
Establishment of Beijing office	
Rental cost	[REDACTED]
Decoration cost	[REDACTED]
Staff costs of 19 staff (comprising 1 management staff, 3 administration staff, 1 media operation staff, 6 strategic formulation staff, 5 sales and marketing staff and 3 finance and accounting staff)	[REDACTED]
Office facilities cost	[REDACTED]
Other administrative expenses	[REDACTED]
Sub-total	[REDACTED]
Establishment of Shanghai office	
Rental cost	[REDACTED]
Decoration cost	[REDACTED]
Staff costs of 19 staff (comprising 1 management staff, 3 administration staff, 1 media operation staff, 6 strategic formulation staff, 5 sales and marketing staff and 3 finance and accounting staff)	[REDACTED]
Office facilities cost	[REDACTED]
Other administrative expenses	[REDACTED]
Sub-total	[REDACTED]
Total	[REDACTED]

We intend to utilise approximately HK\$[REDACTED], or approximately [REDACTED]%, of the [REDACTED] from the [REDACTED] to establish offices in Beijing and Shanghai, among which (i) HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to establish Beijing office; and (ii) HK\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to establish Shanghai office. For further details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

Further improve our brand recognition and increase our marketing efforts

According to Frost & Sullivan, sizable advertisers in the PRC generally have preference to cooperate with established branding, advertising and marketing solution services providers which have developed their corporate images and reputation as having proven track record in delivering quality services with a wide range of media platforms and advertising resources. Thus, it is crucial for market players in the branding, advertising and marketing solution

BUSINESS

services industry to increase their brand awareness and improve their corporate images in order to maintain their competitiveness given that market participants with renowned brands and corporate images would more likely to be perceived by advertisers as having more resources, experience and insights on the advertisers’ products and/or services and their marketing requirements.

Thus, we intend to further improve the awareness and recognition of our brand and increase our marketing efforts by organising and hosting marketing events and activities covering themed conferences, summit forums and marketing campaigns in order to market and promote our service offerings and capabilities to potential customers across different industry sectors and locations, thereby further diversifying and expanding our customer base. Further, with the commencement of our provision of advertisement placement services in May 2022, we intend to organise various marketing campaigns to enhance the awareness of our services among potential customers so as to secure more business opportunities for our advertisement placement services from potential customers in different cities. According to Frost & Sullivan, it is a common industry practice for leading branding, advertising and marketing solution services providers based in the PRC to promote their brand awareness and market their services to the potential or target customers by organising and hosting marketing events and activities to showcase their industry experience, technical expertise, professional personnel and capabilities.

During the Track Record Period, we have successfully organised and hosted over 5 conferences covering different types of branding, advertising and marketing related topics and updates, which were well received in the market and attended by over 2,000 potential customers, market participants and executive personnel. As the organiser and host for these conferences, we were responsible for (i) advertising and promoting the conferences to the target audience; (ii) identifying the trending topics, themes and industry updates to be covered in the conferences; (iii) preparing rundown, agenda and content sessions for the conferences; (iv) inviting industry experts, professors, marketing directors and advertising consultants as speakers to share their experience and insights; and (v) delivering trainings and seminars based on the latest industry trend and market development. For instance, in March 2017, we were commissioned by an advertising centre of a state-owned national broadcaster to organise and host a conference under the theme of “National Branding Scheme – Central China Region* (國家品牌計劃-走進華中區域)”, which was attended by nearly 300 participants including our target customers, business partners, advertisers’ representatives and senior executive from renowned brand owners, and our Group has subsequently successfully secured 6 new customers to engage our services with a total contract value in the amount of approximately RMB29.2 million through the organisation and hosting of such conference.

Thus, our Directors consider that we can benefit from organising and hosting these marketing events and activities in terms of (i) promoting and showcasing our services offering and capabilities; (ii) building up our corporate image as one of the well-established branding, advertising and marketing solution services providers; (iii) developing business networks and relationships with our existing and potential customers; and (iv) securing new business opportunities with our target customers and thereby further increasing our market share. We intend to utilise approximately HK\$[REDACTED], or approximately [REDACTED]%, of the [REDACTED] from the [REDACTED] to further improve our brand recognition and increase our marketing efforts.

BUSINESS

AMOUNT OF FUNDS TO EXECUTE OUR BUSINESS STRATEGIES

The implementation of the above strategies is estimated to require approximately HK\$[REDACTED], which will be funded by the [REDACTED] from the [REDACTED]. For details of the use of the [REDACTED] from the [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” in this document.

	To be funded by [REDACTED] from the [REDACTED] (HK\$ million)
Strengthen our data analytical capabilities and further enhance our branding services	[REDACTED]
– Establish our branding data platform and R&D database	[REDACTED]
– Acquire more comprehensive market and industry data	[REDACTED]
– Recruitment of additional staff for our R&D department	[REDACTED]
Continue to expand our online media advertising services	[REDACTED]
– Enhance our online media advertising platform	[REDACTED]
– Develop in-house content production capabilities	[REDACTED]
Expand the geographical reach of our services	[REDACTED]
– Setting up Beijing office	[REDACTED]
– Setting up Shanghai office	[REDACTED]
Further improve our brand recognition and increase our marketing efforts	[REDACTED]
Repayment of bank borrowings	[REDACTED]
Working capital	[REDACTED]
Total investment amount for our business strategies	[REDACTED]

BUSINESS

OUR BUSINESS MODEL

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 cooperation 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.

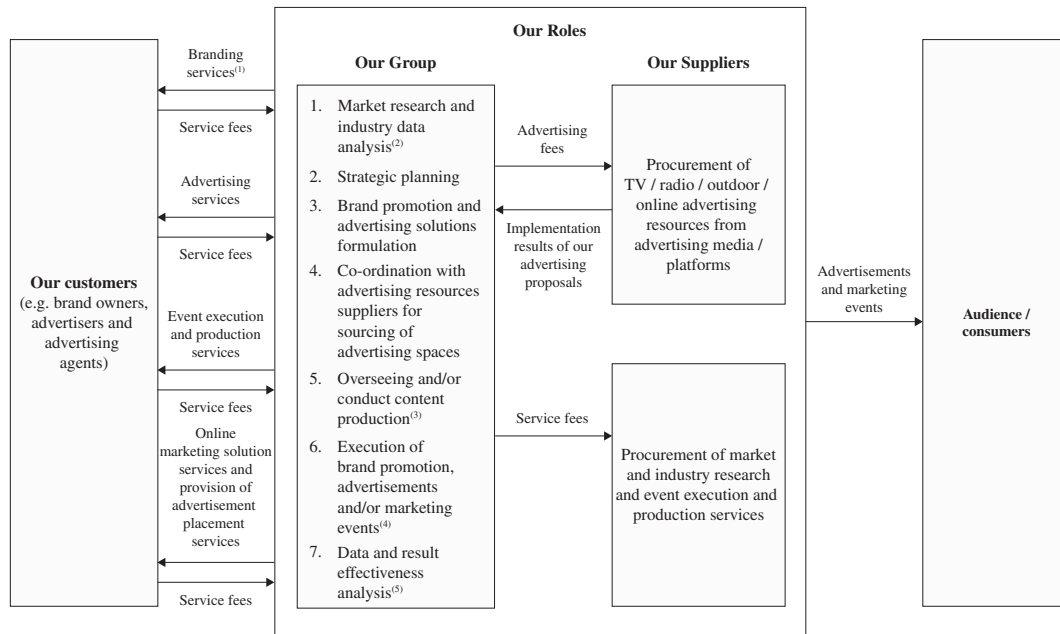
BUSINESS

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.

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.

BUSINESS

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.
- (2) We will generally collaborate with research institutes to conduct market research and industry data analysis. For details, please refer to the paragraph headed “Collaboration with research institutes” in this section.
- (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.

BUSINESS

In the course of our business, we identify the marketing objectives and demand of our customers and then formulate tailor-made branding, advertising or event execution proposals for them. In the event that we are engaged in providing branding services to prepare a comprehensive branding services proposal for our customers, we will generally collaborate with various renowned research institutes, including, among others, a renowned university with market research expertise in Central China, in conducting market research. In respect of our advertising services and event execution and production services, after receiving confirmations from our customers on the advertising and/or event execution proposals, we assist our customers to execute such proposals by acquiring the relevant advertising resources from different media platforms and/or engaging independent third-party suppliers in implementing

BUSINESS

the marketing campaigns. After the advertising proposals or the marketing events have been executed, we will prepare and provide summary reports to our customers to summarise the implementation details and analyse the effectiveness of our advertising proposals or marketing events. For our provision of advertisement placement services, apart from providing planning of advertisement for our customers, we will provide video content production services to our customers, operate the accounts of the customers on the advertising platform and place advertisements on the online media platforms of the Media Supplier.

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. 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 ^(Note 1)	-	-	-	-	14,789	7.2
Rebates from media partner ^(Note 1)	-	-	-	-	8,421	4.1
Total	103,444	100.0	157,637	100.0	205,441	100.0

Note:

- The revenue from provision of advertisement placement services and rebates from media partner were generated from the Media Supplier or its online media platforms. For our other business segments, namely branding services, traditional offline media advertising services, online media advertising services and event execution and production services, we did not generate any revenue or rebate from the Media Supplier or its online media platforms during the Track Record Period.

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. For FY2020, FY2021 and FY2022, we generated revenue of approximately RMB61.3 million, RMB74.9 million and RMB90.5 million, representing approximately 59.2%, 47.5% and 44.1% of our total revenue, respectively, from our branding services.

BUSINESS

We aim to provide comprehensive branding services to our customers, which generally include the following services:

Particulars of the services provided

- | | | |
|----|--|---|
| 1. | <i>Study and analysis on the brand of the customers</i> | <p><u>Provided by research institutes:</u></p> <ul style="list-style-type: none">• Market research on the industry in which the customers operate• Scientific analysis to identify latest market trends and potential demands from customers across different industries• Research on operations and strategies of the competitors and consumers' behaviour and spending pattern <p><u>Provided by our internal project team:</u></p> <ul style="list-style-type: none">• Review of market and industry data prepared by the research institutes• Conduct interviews with the management and employees and site visits of the customers to understand the operations of the customers• Analysis on the major issues in relation to the brand promotion and development of the customers |
| 2. | <i>Design and planning of the brand development strategies</i> | Providing advice on brand positioning, identification of the core values of the brand and analysis and positioning of the target markets and target customers group |
| 3. | <i>Design of the brand image</i> | Providing advice on the design of the brand logo, slogan and brand promotional videos |
| 4. | <i>Formulation of products and/or services marketing and brand promotion plans</i> | <p><i>With regards to products and/or services marketing plans:</i></p> <p>Providing advice on the design and image of the products, identification of the key strengths and selling points of the products and/or services and formulation of the marketing strategies of the key products and/or services</p> |

BUSINESS

With regards to brand promotion plans:

Design of the brand promotion theme and planning of the annual brand promotion activities, providing advice on the selection of the advertising platforms for brand promotion and placement of advertisements and design of the promotional theme and strategies for new brands or products

In providing branding services, we will form an internal project team for each project, and conduct interviews with the directors and senior management of the customers and conduct site visits at their place of business, such as production site and retail outlets, to understand their business operations, existing marketing positioning and marketing objectives. We will conduct research on the Internet to collect and analyse information of the market and industry in which the customers operate, such as the relevant market size and competitive landscape, relevant policies affecting the industry and the general market trend. We will also collaborate with the research institutes to conduct interviews with consumers to understand their consumption pattern and preference. Our internal project team will consolidate the information obtained and conduct internal meetings to discuss the branding, advertising and marketing strategies and formulate the draft branding services proposals with reference to the marketing objectives of our customers. We will then discuss the draft branding services proposals with the customers, and fine-tune our draft proposals according to the customers' feedback before submitting the final proposal to the customers.

In providing branding services, we are engaged to devise comprehensive and customised branding services proposals for our customers. During the preparation of such proposals, we need to have a thorough understanding of the industry and market environment of the business in which our customers operate, and support our branding services proposals with analysis on, among others, industry data, competitive environment and industry development trend to ensure that the proposals can fulfil the marketing objectives of the customers, and enhance the credibility of our proposals. Owing to the various industries engaged by our customers which request tailored services, we will generally engage research institutes which possess a team of researchers with market research expertise in a wide range of industries, which include, among others, a renowned university with market research expertise in Central China, to conduct research on market and industry data for our branding services projects. For FY2020, FY2021 and FY2022, we completed 63, 61 and 81 branding services projects, respectively, and all of those projects required market research provided by third party research institutes. We will generally enter into a separate market research agreement with the relevant research institute for each project to set out the research objectives and tasks to be performed by the research institute. The research institute will assist to conduct research on the market and industry in which the 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. The findings from the

BUSINESS

research institutes will further improve the comprehensiveness and credibility of the branding services proposals prepared by us. For details of our cooperation with the aforesaid university, please refer to the paragraph headed “Collaboration with research institutes” in this section.

As part of our deliverables, we prepare and provide our customers with market research analysis, brand positioning and marketing proposals, ideas for the design of the promotional materials of the corporate brand and products, and sales and marketing strategies etc. In addition to preparing the relevant proposals and materials, we also assist our customers in executing the proposal throughout the terms of our engagement. For example, we will (i)

BUSINESS

present our market research findings and brand promotion proposals to the management of our customers; and (ii) hold evaluation meetings with the management of our customers periodically and revisit if any changes to the proposals are required.

The target customers of our branding services are primarily small-to-medium-sized private companies from different industries which have limited internal marketing capacity in conducting market research or formulating the overall marketing and advertising strategies. 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 offline and online advertising services and/or event execution and production services (the “**Follow-up Engagements**”). Please refer to the below table for the number and revenue of customers of our branding services who also engage us for the Follow-up Engagements:

	FY2020	FY2021	FY2022
Number of customers of branding services ^(Note)	17	40	52
Number of customers of Follow-up Engagements	14	24	31
Percentage of branding services customers who also engage us for the Follow-up Engagements (%)	82.4	60.0	59.6
Revenue from the Follow-up Engagements (RMB'000)	30,235	43,409	62,567
• Branding services	–	–	–
• Traditional offline media advertising services	4,357	1,902	1,366
• Online media advertising services	12,199	22,335	23,237
• Event execution and production services	13,679	19,172	37,964
Percentage of revenue from the Follow-up Engagements to the total revenue (%)	29.2	27.6	30.5
• Branding services	–	–	–
• Traditional offline media advertising services	4.2	1.2	0.7
• Online media advertising services	11.8	14.2	11.3
• Event execution and production services	13.2	12.2	18.5

BUSINESS

	FY2020	FY2021	FY2022
Revenue from the standalone engagements (RMB'000)	73,209	114,228	142,874
• Branding services	61,255	74,926	90,502
• Traditional offline media advertising services	4,109	2,181	838
• Online media advertising services	6,266	23,861	24,908
• Event execution and production services	1,579	13,260	3,416
• Provision of advertisement placement services (including rebates from media partner)	–	–	23,210
Percentage of revenue from the standalone engagements to the total revenue (%)	70.8	72.4	69.5
• Branding services	59.2	47.5	44.1
• Traditional offline media advertising services	4.0	1.4	0.4
• Online media advertising services	6.1	15.1	12.1
• Event execution and production services	1.5	8.4	1.6
• Provision of advertisement placement services (including rebates from media partner)	–	–	11.3

Note: the number of customers represents the number of customers with revenue recognition in the relevant year.

The percentage of branding services customers that engaged the Group for Follow-up Engagements decreased from approximately 82.4% for FY2020 to approximately 60.0% and 59.6% for FY2021 and FY2022, respectively. Our customers generally only engage us for Follow-up Engagements after the completion of the relevant branding services projects. The aforesaid decreasing trend was mainly due to the decrease in the percentage of branding services projects that were completed by our Group by each year end during the Track Record Period. Among the branding services projects that were engaged by our Group during FY2020 and FY2021, approximately 95.5% and 80.3% of the branding services projects were completed in the same year in FY2020 and FY2021, respectively. As such, the majority of the branding services projects that were engaged by our Group in FY2020 were completed before the year end in FY2020. However, for FY2021, a number of branding services projects commenced in the third or fourth quarter of FY2021 were only completed in FY2022. Among the 73 branding services projects secured by our Group for FY2021, 40 projects were commenced in the third or fourth quarter of 2021. The Follow-up Engagements from those branding services projects, if any, only started in FY2022, and such Follow-up Engagements in FY2022 were not counted in the calculation of number of customers for Follow-up Engagements in FY2021. Among the 73 branding services projects secured by our Group for FY2022, 30 projects, representing approximately 41.1% of the branding services projects secured by us during FY2022, were either not yet completed as of the end of FY2022 or they were only completed in the fourth quarter of FY2022. The Follow-up Engagements from those branding services projects, if any, only started in the year ending 31 December 2023, and such Follow-up Engagements in 2023 were not counted in the calculation of number of customers for Follow-up Engagements in FY2022. Therefore, there was a decrease in the percentage of branding services customers who also engaged us for the Follow-up Engagements in FY2022.

BUSINESS

The revenue from the Follow-up Engagements increased from approximately RMB30.2 million in FY2020 to approximately RMB43.4 million in FY2021 and increased to approximately RMB62.6 million for FY2022, which was mainly due to the following factors:

- (1). the increase in the number of customers of branding services from 17 for FY2020 to 40 for FY2021 and to 52 for FY2022, which led to the general increase in the number of Follow-up Engagements for FY2021 and FY2022;
- (2). the increase in revenue contribution from the Follow-up Engagements on online media advertising services projects in FY2021 and FY2022 as compared with that in FY2020 and FY2021, respectively, as we continued our strategy of focusing on online media advertising services and allocating more resources from traditional offline media advertising services to online media advertising services in view of the increasing popularity of online media. In particular, in FY2021, we recorded revenue from Follow-up Engagements on online media advertising services from 10 customers as compared with 6 customers in FY2020, while we recorded revenue from Follow-up Engagements on online media advertising services from 14 customers in FY2022 as compared with 10 customers in FY2021; and
- (3). the increase in revenue contribution from the Follow-up Engagements on event execution and production services projects in FY2021 and FY2022 as compared with that in FY2020 and FY2021, respectively, mainly due to emergence of the integration of new media which covered scene activities, online media and other marketing methods, and the rapid growth of event execution and production service market in the PRC. For details, please refer to paragraph headed “Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue – Breakdown of revenue by service type” in the “Financial Information” section of this document.

After the general stabilisation of COVID-19 in the second half of 2020, we resumed our marketing activities to explore new customers. Due to our marketing efforts, the number of new customers increased from 16 for FY2020 to 55 for FY2021, which led to the increase in the revenue from standalone engagements by approximately 56.0% from approximately RMB73.2 million for FY2020 to approximately RMB114.2 million for FY2021. Taking into account the effect of the simultaneous increase in the percentage of revenue from Follow-up Engagements for FY2021, there was only a slight increase in the percentage of revenue from the standalone engagements to our total revenue from approximately 70.8% for FY2020 to approximately 72.4% for FY2021.

Our revenue from standalone engagements for branding services increased from approximately RMB61.3 million for FY2020 to approximately RMB74.9 million for FY2021, and further increased to approximately RMB90.5 million in FY2022, which was mainly attributable to (i) the growing demand for our branding services following the outbreak of COVID-19; and (ii) revenue contribution from recurring customers. According to Frost & Sullivan, more small and medium enterprises gradually began to focus on strengthening and

BUSINESS

rebuilding own brand competitiveness to enhance their customer loyalty. 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 and 2022.

Our revenue from standalone engagements for online media advertising services increased from approximately RMB6.3 million for FY2020 to approximately RMB23.9 million for FY2021, and further increased to approximately RMB24.9 million in FY2022, which was mainly attributable to the increase in the number of standalone engagements for online media advertising services for FY2021 and FY2022 in view of (i) market recovery after the outbreak of COVID-19; (ii) the general increase in demand from advertisers for online media advertising; and (iii) our Group’s continued strategic shift to focus on this segment.

Our revenue from standalone engagements for event execution and production services increased from approximately RMB1.6 million for FY2020 to approximately RMB13.3 million for FY2021, which was mainly attributable to the general restriction of such services during the outbreak of COVID-19 in the first half of 2020, and the general increase in the demand for such services and the size of contracts after the effective control of COVID-19 in the second half of 2020 and the continuance of such trend in FY2021.

Our revenue from standalone engagements for event execution and production services decreased from approximately RMB13.3 million for FY2021 to approximately RMB3.4 million for FY2022 mainly due to the decrease in the number of standalone engagements for event execution and productions services undertaken during FY2022.

Our percentage of revenue from the Follow-up Engagements to the total revenue and the percentage of revenue from standalone engagements to the total revenue remained relatively stable for FY2021 and FY2022.

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.

BUSINESS

In preparing the advertising proposal for the customers, we will collect and review the broadcasting information of different TV or radio station operators (such as the key programmes and number of viewers/audience in different timeslots, etc.) from the TV or radio station operators or through the online researches conducted by our team. Based on our understanding of the needs and the type of products and/or services of our customers, we would liaise with the TV or radio station operators for the available time slots, fees and advertising resources, and consolidate an advertising proposal for our customers’ consideration. The advertising proposal will set out, among others, the background and strengths of various TV or radio station operators, the key programmes of the TV or radio operators and their target viewers/audience and number of viewers/audience, etc. After receiving our customers’ confirmation for the advertising proposal, we would sign contracts with our customers which set out, among others, the advertising platform, the broadcasting duration of the advertisements and the responsibilities of the parties for the preparation of the contents of the advertisements. We would then liaise with the relevant TV or radio station operators and assist our customers to place the advertisements and deliver to the TV or radio station operators the content and specification of the advertisement for broadcast. In general, the contents of the advertisements are provided by our customers. Upon request by our customers, we may assist in editing and/or retouching the advertisement videos.

After the end of the broadcasting period of the advertisements, the relevant TV or radio station operators would issue a broadcasting supervision certificate (監播證明) to confirm to us that the advertisements had been broadcasted in accordance with the requirements set out in the advertising agreement. We will prepare a summary report to summarise the implementation details of the advertisements (including the date, time and duration of the broadcast of the advertisements) and analyse the effectiveness of the broadcast of the advertisements to assist the customers in formulating future advertising strategies. In preparing the summary report, we will collect the broadcasting data of the advertisements from the relevant TV or radio stations and set out various data for customers to evaluate the effectiveness of the advertisement placements, such as the number of times of broadcast, percentage of viewership, cost per rating point (i.e. the cost of delivering the advertising message to 1% of the target recipients), and cost-per-mille (i.e. the cost for every thousand impressions an advertisement generates), etc.

During the Track Record Period, the customers of our traditional offline media advertising services come from a wide spectrum of industries, including beverages, automobile manufacturing, household essentials manufacturing, tourism, metal manufacturing, advertising and agricultural and related food processing. For FY2020, FY2021 and FY2022, we generated revenue of approximately RMB8.5 million, RMB4.1 million and RMB2.2 million, representing approximately 8.2%, 2.6% and 1.1% of our total revenue, respectively, from traditional offline media advertising services.

BUSINESS

TV advertising

During the Track Record Period, we provided hard-sell TV advertising services to our customers.

According to Frost & Sullivan, hard-sell TV advertising refers to an advertising approach which is especially direct and uses attractive language, and is focused on attracting a consumer to purchase the advertised products or services. Hard-sell TV advertising services provided by us include placement of traditional advertisements during TV advertising time slots.

Placement of traditional advertisements during TV advertising time slots is a kind of hard-sell TV advertising. We assist customers to place their advertisements during advertising time slots of TV channels. We consolidate the advertising time slots available from different TV station operators. As such, our customers are able to access advertising resources from more TV station operators and channels in an effective way.

During the Track Record Period, we assisted our customers in placing advertisements at various national and provincial TV station operators in the PRC, including the radio and television stations in Hunan, Hubei, Fujian and Zhejiang Provinces. We are also authorised by the national television operator and the television operator of Hubei Province in selling their TV advertising resources as agent.

Set out below are samples of our hard-sell TV advertising projects during the Track Record Period:



Radio advertising

During the Track Record Period, we also assisted our customers to place their advertisements during the advertising timeslots of the radio channels or during the radio programmes. We consolidate the advertising time slots available from different radio station operators, and set out the background and strengths of various radio channels (such as the key radio programmes, their target audience and number of audience, etc.) for the customers' consideration. The types of radio advertising provided by us mainly include (i) broadcasting the promotional recordings or slogans of the customers during the advertising timeslots of the radio channels; and (ii) announcing the products or service-related verbal slogans by the hosts or guests during the radio programmes.

BUSINESS

Outdoor advertising

During the Track Record Period, we assisted our customers to identify and place advertisements on various outdoor platforms, such as LED screens on shopping malls, commercial buildings and subways, billboards, advertising spaces at bus stop and public transport hubs.

Similar to TV advertising, we would prepare an advertising proposal based on our understanding of the needs and the type of products and/or services of our customers. After receiving our customers’ confirmation for the advertising proposal, we would sign contracts with our customers and liaise with the relevant advertising resources providers to place advertisements on the advertising platforms for our customers. In general, the design and layouts of the advertisements are provided by our customers. Following the publication of the advertisements, we will conduct random inspection at the locations where the outdoor advertisements are displayed to ensure that the display is consistent with the customer’s advertising plans. After the end of the advertising period, we will prepare a summary report to summarise the implementation details of the advertisement placements (including the date, time and duration of the publication of the advertisements) and provide photos of the outdoor advertisement placements for customers to review the results of the advertisement placements.

Set out below are samples of our outdoor advertising projects during the Track Record Period:



Online media advertising services

According to Frost & Sullivan, China’s online advertising market in terms of advertisers’ expenditure increased from approximately RMB351.8 billion in 2017 to RMB766.2 billion in 2022, representing a CAGR of approximately 16.8%. The market size is expected to grow further at a CAGR of approximately 9.9% to approximately RMB1,227.4 billion in 2027. Given the increasing popularity and the larger audience base of online advertising, we have begun providing online media advertising services to our customers in 2018 and generated revenue of approximately RMB18.5 million, RMB46.2 million and RMB48.1 million for FY2020, FY2021 and FY2022, respectively, representing approximately 17.9%, 29.3% and 23.4% of our total revenue, respectively, from such services. According to Frost and Sullivan, as online media advertising services have gained more market recognition

BUSINESS

in the PRC during 2020 and the outbreak of COVID-19 has limited impact on online media advertising, customers, especially private entities, tend to increase their budget for online media advertising service in FY2020. 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. We recorded an increase in revenue from online media advertising services in FY2020, FY2021 and FY2022. Further, according to Frost & Sullivan, the expenditure of advertisers in online media advertising service market in China increased from RMB449.6 billion in 2018 to RMB766.2 billion in 2022, with the proportion in total expenditure of advertisers in advertising market in China increasing from 62.4% to 73.5% during the same period. As a result of the change in market trend and customer preference towards online media advertising platforms, our revenue generated from traditional offline media advertising services and online media advertising services saw reversing trend during the Track Record Period. In view of the expected growth of the online advertising market according to Frost & Sullivan and the increasing demand from our customers, our Directors believe that there will be considerable business opportunities generated from our online advertising and applications services in the future. Furthermore, our Directors believe that our ability to offer a wide array of advertising resources in different media formats will give us a competitive edge against our competitors in achieving the marketing objectives of our customers.

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.

The following is a description of some of the online media platforms on which we placed online advertisements for our customers:

- (i). a popular Chinese search engine in the PRC which enables users to conduct searches over a variety of subjects, such as images, videos, news, maps, blogs, etc.;
- (ii). a popular social media and e-commerce platform which allows users to post, discover and share, among others, products reviews, beauty and health information and contents regarding tourism and leisure destinations, etc. It also operates an e-commerce platform which sells international products to Chinese users; and
- (iii). an online platform which offers online streaming of various shows, movies and television programmes.

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.

BUSINESS

During the Track Record Period, the online media advertisements placed by our customers were generally displayed in the form of videos, banners, advertorial, newsfeeds and graphics which are generally provided by our customers. Video advertisements generally last for 15 seconds; whilst banners, advertorial, newsfeeds, graphics and text chain messages are displayed for a fixed period depending on the budget and marketing objectives of our customers.

We will prepare an advertising proposal based on our understanding of the needs and the type of products and/or services of our customers. After receiving our customers’ confirmation for the advertising proposal, we would sign contracts with our customers and liaise with the relevant advertising resources providers, such as operators of social media platform and advertising agents to place advertisements on the relevant online media platforms for our customers. Content of the online advertisements are typically provided by our customers. After the end of the advertising period, we will prepare a summary report for our customers, summarising the implementation details and analysing the effectiveness of the advertisements placements. In preparing the summary report, we will collect the publication data of the online advertisements from the relevant online media platform and set out various data for customers to evaluate the effectiveness of the online advertisement placements, such as the number of times of impressions, number of clicks, click-through rate, cost-per-mille (i.e. the cost for every thousand impressions an advertisement generates) and number of times of sharing and comments of the advertisements by the viewers, etc.

BUSINESS

Although we have only started providing online media advertising services since 2018, leveraging upon our existing business network and experience in the advertising industry, we were able to secure placement of advertisements from our customers and online media advertising spaces from our suppliers. For example, most of our customers for online media advertising services have also engaged us for other branding and/or advertising services before. During the Track Record Period, we have assisted our customers in placing online advertisements for various well-known social media platforms, whether placed directly with the online platforms operators or through advertising agents. However, our online media advertising business may be subject to the risk of disintermediation. For details, please refer to the section headed “Risk factors – Our online media advertising and provision of advertisement placement services business may be subject to the risk of disintermediation which could materially and adversely affect our financial condition and operating result” in this document. Our Directors believe that the risk of disintermediation on our online media advertising business is low, on the basis that (i) according to Frost & Sullivan, in recent years, customers prefer relying on advertising services providers to contact advertising media or platforms as advertising services providers can get access to a variety of advertising resources and can offer effective marketing solutions to them; (ii) according to Frost & Sullivan, it is common that operators of online media advertising platforms generally prefer cooperating with advertising services providers as it is more effective to secure orders for online advertisement placements through advertising services providers so as to consolidate orders from advertisers or brand owners, thereby streamlining the advertisement placement process and lowering their operating costs; and (iii) we can maintain competitive advantages due to (a) our strong data analytical capabilities; (b) stable and well-established business relationships with suppliers of a wide range of online media advertising resources; (c) well-established business relationships with customers from diverse industries; and (d) our experienced management team with in-depth industry expertise who can offer advice to customers on the advertisement placement strategies so as to maximise the effectiveness of the advertisement placement. In the future, we will continue to expand and strengthen our relationships and network with the online advertising resources suppliers or advertising agents. Our Directors believe that a more comprehensive and diverse access to different online advertising platforms will further increase our competitiveness in this business segment.

Set out below are samples of our online media advertising projects during the Track Record Period:



BUSINESS

In 2022, we had entered into online advertisement agreements with Wuhan You Jia Ze Network Technology Company Limited (武漢優嘉澤網絡科技有限公司) and three other advertising agents in Wuhan (collectively, the “**Four Advertising Agents**”). Similar to other customers which engaged us for online media advertisement services, we would discuss with the Four Advertising Agents to understand the advertising aims of their end customers, prepare the advertising proposal for consideration by the Four Advertising Agents and liaise with the advertising resources providers to place advertisements on the relevant online media platforms for these end customers.

Pursuant to the supplier agreement entered into between us and the advertising resources provider, in the event that the advertising resources provider loses the right to place advertisement on the online media platforms, the advertising resources provider shall refund the unutilised portion of the advertising fees to our Group, and the parties’ obligations under the agreement shall then cease. The advertising resources providers are only the agents of the online media platforms but not the owner of the online media platforms. To the best knowledge and understanding of our Directors, the advertising resources providers may lose the right to place advertisement on the online media platforms if the owners of the online media platforms cease their cooperation with them, or if one or more of the following circumstances occur to the advertising resources providers: (i) bankruptcy, suspension of business or revocation or cancellation of business license; (ii) material violation of applicable laws and regulations; and (iii) litigations against the advertising resources providers and/or their shareholders and legal representatives which have material adverse impact on the business operation and financial conditions of the advertising resources providers.

On a back-to-back basis, pursuant to our agreement with the Four Advertising Agents, if we lose the right to place advertisement on the relevant online media platforms, we shall refund the unutilised portion of the advertising fees to the Four Advertising Agents, and the parties’ obligations under the agreement shall then cease.

Under the above arrangement with the Four Advertising Agents and the advertising resources provider, our Group is an agent and we recognize revenue generated from the Four Advertising Agents on a net basis. The revenue generated from the Four Advertising Agents for FY2022 amounted to approximately RMB9.1 million. For more details of our revenue recognition policies, please refer to note 4.8 in Appendix I to this document.

BUSINESS

Information on the Four Advertising Agents

Name of the advertising agent	Background and principal business <i>(Note 1)</i>	Scale of operation <i>(Note 1)</i>	Registered capital <i>(Note 1)</i>	How and when did our Group become acquainted with the advertising agent
Wuhan Youjiaze Network Technology Co. Limited (武漢優嘉澤網絡科技有限公司) (“Advertising Agent A”)	Internet and big data services, design, distribution and agency service of advertisements	A PRC limited liability company in Wuhan which has less than 50 employees	RMB1,080,000	We became acquainted with Advertising Agent A through a friend of Mr. Chen
Advertising agent B	Design and promotion of Internet games and softwares, design, distribution and agency service of advertisements	A PRC limited liability company in Wuhan which has less than 50 employees	RMB5,000,000	We became acquainted with Advertising Agent B through the introduction by one of our suppliers
Advertising agent C	Design of computer softwares, organisation of marketing events, design, distribution and agency service of advertisements	A PRC limited liability company in Wuhan which has less than 50 employees	RMB3,912,157	We became acquainted with Advertising Agent C through the introduction by one of our suppliers
Advertising agent D	Design of Internet games and computer softwares, design, distribution and agency service of advertisements	A PRC limited liability company in Wuhan which has less than 50 employees	RMB3,000,000	We became acquainted with Advertising Agent D through the introduction by one of our customers for provision of advertisement placement services

Note:

- The information in relation to the background and principal business, scale of operation and registered capital of the advertising agents were disclosed based on information publicly available and is for illustrative purposes only. No financial information on the advertising agents is available from the public domain.

BUSINESS

The gross amount of fees charged by our Group to Advertising Agent A, Advertising Agent B, Advertising Agent C and Advertising Agent D amounted to approximately RMB2.6 million, RMB4.0 million, RMB57.6 million and RMB0.4 million in FY2022, respectively, which represented approximately 2.5%, 3.9%, 55.6% and 0.4% of our gross amount of fee generated from online media advertising services in FY2022, respectively. The net amount of fees recognised by our Group from the aforesaid agents amounted to approximately RMB0.3 million, RMB0.5 million, RMB8.0 million and RMB0.3 million, respectively, which represented approximately 0.6%, 1.0%, 16.6% and 0.6% of our revenue generated from online media advertising services in FY2022, respectively.

The following table illustrates the reconciliation of our gross amount of fee charged to each of the Four Advertising Agents and our net amount of fee recognised from them on a net basis for FY2022:

	FY2022				
	<i>RMB'000</i>				
	Advertising Agent A	Advertising Agent B	Advertising Agent C	Advertising Agent D	Total
Gross amount of fee charged to the advertising agent	2,638	3,962	57,585	425	64,610
Less: costs charged by advertising resources providers	(2,342)	(3,424)	(49,564)	(160)	(55,490)
Revenue (on net basis)	296	538	8,021	265	9,120

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

In view of (i) the potential opportunities brought by the growth of China’s online media advertising services market; and (ii) the increasing popularity of online media among advertiser customers according to Frost & Sullivan as mentioned above, our Directors are optimistic about the demand and future development of the online media advertising services market in China. It is the intention of our Directors to continue to expand and strengthen our relationships and network with various online advertising resources suppliers so as to further expand the scope of online media advertising services and capture the increasing business opportunities of online media advertising services market in the PRC.

BUSINESS

In January 2022, we have entered into a cooperation agreement with the Media Supplier for placing advertisements on the various online media platforms operated by the Media Supplier. Apart from the cooperation agreement, we were still required to obtain the agency certificate from the Media Supplier before we can place advertisements on the online media platforms of the Media Supplier. After signing of the cooperation agreement, we began to liaise with the Media Supplier to apply for the agency certificate. We were required to provide the corporate documents and information on the financial and business conditions of our Group, such as corporate background, the size of our operation team, the business licence, list of customers, customers' background and names of existing media partners of our Group, to them for their internal review. In May 2022, we obtained the agency certificate issued by the Media Supplier, and therefore we have commenced our provision of advertisement placement services since May 2022. Save for the Media Supplier, there is no other advertising resources provider for our provision of advertisement placement services.

The following is a description of the major online media platforms operated by the Media Supplier:

- (i). an online musical and short video platform, which provides for an interface for video sharing and short video marketing recommendation. It allows users to create short videos and publish them for viewing by the public;
- (ii). a personalised news and information recommendation platform, which delivers content in a variety of formats, such as texts, images, question-and-answer posts, microblogs and videos; and
- (iii). an online video sharing platform which allows users to create videos for publication and sharing. It also produces its own film and television contents for sharing on the platform.

The Media Supplier will charge us primarily based on a mixed basis of CPC, CPT and CPM, while we will charge our customers a fee comprising (i) the cost for placing the advertisement on the online media platforms charged by the Media Supplier based on the above pricing mechanism (i.e. CPC, CPT and CPM); and (ii) our service fee for advertisement placement and other related services, which is equivalent to a certain percentage of the costs of advertisement placement on the online media platforms of the Media Supplier. For details of the pricing, please refer to the sub-paragraph headed "Pricing models" below. As compared with our traditional online media advertising services where we only provide intermediary services to assist our customers to identify and select the relevant online advertising resources suppliers, we had further expanded the scope of our online media advertising services by providing video content production services to our customers, operating the accounts of the customers on the advertising platform, placing advertisements on the online media platforms of the Media Supplier. Depending on the needs of the advertiser customers, we also assist them to design and produce short advertisement videos for placing on the online media platforms of the Media Supplier.

BUSINESS

For FY2022, we generated revenue of approximately RMB23.2 million from provision of advertisement placement services (including rebates from media partner), representing approximately 11.3% of our total revenue for FY2022.

For our provision of advertisement placement services, apart from direct advertiser customers which engaged us directly for our service, we were also engaged by agencies which assist their own customers to place advertisements on various online media platforms. Those agencies sourced online advertising resources from us for their own customers as we have established cooperative relationship and connection with the Media Supplier and were appointed as one of the designated agents of the Media Supplier for placing advertisements on their online media platforms, and our Directors believe that those agencies therefore may not have direct access to those online advertising resources operated by the Media Supplier.

The following table sets forth a breakdown of our revenue for the provision of advertisement placement services for FY2022 by types of customers:

	FY2022	
	Number of direct advertiser customers/ agencies	Revenue (RMB'000)
Direct advertiser customers	13	370
Agencies	74	22,840
Total	87	23,210

Business process of our provision of advertisement placement services

The following diagram illustrates the general business flow of our provision of advertisement placement services:



- Engagement with direct advertiser customers or agencies:*** We generally enter into framework agreements with our direct advertiser customers and agencies for a term ranging from one month to one year. We will conduct internal review of our prospective customers on their business qualifications, industry reputation, credit records and financial position to avoid our operational risks. In particular, we will conduct searches of the potential customers in the public domain, such as Internet desktop search, to understand their business operation and financial condition, and ascertain whether they and their directors or shareholders are subject to any material

BUSINESS

litigations, financial difficulties, regulatory investigations or penalties which may adversely affect their ability to fulfil the payment obligations under our agreements with them. In the future, for those recurring customers, we will also review their payment records with us in the past and check whether there was any bad debt with such customers. We will only enter into an agreement with a prospective customer which can pass our review. In the meantime, we assist our customer in submitting relevant documents, such as the business licence and the copy of the identity card of the contact person of the customer, to the Media Supplier for its approval to open an account on its advertising platform. In the case of agencies, we will liaise with the relevant agencies to obtain the relevant documents from their own customers for the account registration. Such account will be subsequently used to place advertisements on the online media platforms of the Media Supplier, record the costs incurred by each customer for the advertisements placement and review the advertisement performance after placement of the advertisements.

The above process on conducting background check of the potential customers, signing of framework agreement and account opening on the advertising platform generally takes three to five days to complete.

- ***Planning of advertising campaign:*** After signing the framework agreement, we will then communicate with the direct advertiser customers and agencies to conduct planning of the advertisement placement based on their marketing goals and advertising budget, help them to formulate placement parameters for the online advertisements, such as geographic regions, age, gender of the targeted viewers, timing and duration of the advertisement placements, and propose placement plan for consideration by the customers. Such placement plan may be amended from time to time after discussion with the customers, and are usually executed only after the direct advertiser customers are satisfied with the plan. In the case of agencies, we will communicate the above matters with the agencies and obtain the agencies' confirmation on the placement plan designated by their own customers.

The above process generally takes three to five days to complete.

- ***Budget planning for the advertising campaign:*** Based on the work scope of the customers in their placement plan, their advertising budget and the expected service fee that we will receive from such placement plan, we will conduct a budget planning of the placement plan and allocate appropriate level of manpowers and resources for the implementation of the placement plan to ensure that the implementation costs will not exceed the expected revenue to be generated from the placement plan.

BUSINESS

The above process generally takes one to two days to complete.

- ***Content creation and production:*** Pursuant to the advertisement placement plan and depending on the needs of our direct advertiser customers or agencies, we will then develop creative insights or ideas for the online short video advertisements for consideration by our customers. After confirmation of the video contents by the customers, we will obtain the content materials from the customers for video production and our in-house video production staff will further edit and customize the online short videos with special effects based on the requirements of our customers.

The above process generally takes three to seven days to complete.

- ***Placement of online advertisements:*** We proceed to place the online advertisements on the relevant online media platforms of the Media Supplier based on the placement plan as confirmed by our customers. We are required to provide deposits to the Media Supplier to cover the entire expected costs for the advertisement placements on their online media platforms before the execution of the advertisement placements.

The duration of online advertisement placement varies depending on the needs of each customer.

- ***Advertisements performance monitoring and optimization:*** Once the advertisement is displayed online, we receive a wide variety of raw data on a real-time basis, such as number of views, costs by per click or view, etc., by operating the customer's account on the Media Supplier's platform. We will monitor the advertisement performance and review their marketing results on a real-time and continuing basis, and provide feedback to the customers, which may then adjust their placement plan from time to time based on the advertisement performance.
- ***Settlement:*** We issue invoice to our direct advertiser customers and agencies on a monthly basis. Payment of invoice is generally required to be made in 90 days.

Pricing models

The fees which we charge our direct advertiser customers and agencies for our provision of advertisement placement services mainly comprise (i) the cost for advertisement placement on the online media platforms charged by the Media Supplier; (ii) our service fee for advertisement placement and other related services; and (iii) the rebates we offered to our customers.

(i). Advertisement cost charged by the Media Supplier

After we paid the deposit for the advertisement placement cost, the Media Supplier then charged us based on a mix of CPC, CPT or CPM model, and such fee will be deducted from the deposits paid by us. The CPC, namely, Cost-Per-Click mechanism is a performance-based metric and under which the Media Supplier charged us when and if an internet user clicks the online advertisements we placed. The CPT refers to Cost-Per-Time mechanism, under which

BUSINESS

the Media Supplier charged us for placing a piece of online advertisement for a specific period of time contractually agreed by the Media Supplier and us. CPM refers to Cost-Per-Mille mechanism, under which we were charged based on one thousand impressions of the advertisement. Based on the same pricing mechanism as above, we charge our customers the costs incurred by us on a dollar-to-dollar basis for placing their advertisements on the online media platforms of the Media Supplier.

(ii). Our service fee for advertisement placement and other related services

We charged our direct advertiser customers and agencies a service fee for providing advertisement planning and content production services and placing their advertisements on the online media platforms of the Media Supplier. We generally charged a service fee in the range of approximately 11% to 15% of the total advertisement placement costs incurred by the relevant direct advertiser customers or agencies. Such percentage of service fee was determined mainly with reference to the service fees charged by other service providers in the market for providing similar advertisement planning, content production and placement services. We generally charge a higher percentage of service fee for those direct advertiser customers or agencies which also required us to produce the online short advertisement videos for them.

(iii). Rebates offered to customers

We from time to time grant rebates to our direct advertiser customers and agencies to incentivize and encourage them to use our provision of advertisement placement services. Such rebates are recorded as deduction of revenue.

In the meantime, the Media Supplier also grants to us rebates based on our gross spending of advertisement placements on their online media platforms. After signing of the annual framework agreement, the Media Supplier would also enter into a rebate agreement with us to set out the frequency and the mechanism for setting the rate of rebates to be granted by the Media Supplier to our Group (the "**Rebate Agreement**"). The Rebate Agreement generally starts from 1 January and expires on 31 December of each year, which is the same as the term of the annual framework agreement. Pursuant to the Rebate Agreement, there is no requirement on the minimum spending or transaction amount of advertisement placements on their online media platforms in order for us to enjoy the rebates from the Media Supplier. Under the Rebate Agreement, such rebates are generally granted to us on a quarterly basis, and either in the form of (i) reduction of the deposits for future advertisement placement costs; or (ii) cash. In the Rebate Agreement, the Media Supplier would classify each advertiser customer by industry and set a certain percentage of rebates to be granted to advertiser customer from each type of industry. The rate of rebates for customers from each type of industry is solely determined by the Media Supplier. Therefore, the rebates to be received by us from the Media Supplier for each customer may vary depending on the industry in which they operate. We then will make reference to the percentage of rebates offered by the Media Supplier in determining the percentage of rebates offered to our direct advertiser customers and agencies. The rebates granted by us to our customers are generally set as a percentage of the advertisement placement costs incurred by the relevant direct advertiser customers or agencies, and the rate of rebates granted to each of our customers is generally lower than the rate of rebates granted by the Media Supplier to us. We did not undertake any loss-making projects for provision of advertisement placement services for FY2022.

BUSINESS

The percentage of rebates granted by the Media Supplier to us for FY2022 generally ranged from 1.50% to 8.30%. During FY2022, the average rate of rebates granted by the Media Supplier to our Group, which is calculated as the total amount of rebates granted by the Media Supplier to our Group during the year divided by the advertisement placement costs incurred by our customers for advertisement placement on the online media platforms of the Media Supplier (tax inclusive), was approximately 5.0%. Therefore, the amount of rebates to be earned by us is solely determined by the Media Supplier with reference to the aforesaid industry classification set by them internally and was not subject to negotiation between the Media Supplier and us. For FY2022, the aggregate amount of rebates granted to us by the Media Supplier was approximately RMB8.4 million.

The percentage of rebates granted by us to our customers for FY2022 generally ranged from approximately 3% to 5%. For FY2022, the aggregate amount of rebates we granted to our direct advertiser customers and agencies, which was calculated based on the amount of deposits injected into the advertising platform of the Media Supplier for advertisement placement (tax inclusive), was approximately RMB4.8 million.

As advised by our PRC Legal Advisers, such rebates offered by us and the Media Supplier are legal and do not violate any applicable PRC laws and regulations in all material aspects.

According to Frost & Sullivan, rebates granted by operator of online media platforms (i.e. the Media Supplier) and us are in line with the industry practice.

For FY2022, we did not have any trade receivables from the provision of advertisement placement services which had been written off as uncollectible.

Key terms of agreements with our direct advertiser customers and agencies

For our provision of advertisement placement services, we generally enter into framework agreements with our direct advertiser customers and agencies specifying, among others, the duration, service scope, pricing model as well as payment and settlement terms for our services. Salient terms of the framework agreement with our direct advertiser customers and agencies include:

Duration:	generally one month to one year
Service scope:	The scope of provision of advertisement placement services provided by us mainly include assisting customers to open accounts on the advertising platform of the Media Supplier, formulation of advertisement placement plan, design and production of creative and video content, operation of the customers' accounts for placing the advertisements on the online media platforms and advertisement monitoring and performance improvement

BUSINESS

Service fee:	A service fee equivalent to a fixed percentage of the total advertisement placement costs is stipulated in the individual framework agreement in respect of each direct advertiser customer and agency. Please refer to the sub-paragraph headed “Pricing models – (ii) Our service fee for advertisement placement and other related services” in this section for details
Allocation of liability for marketing content:	Our direct advertiser customers and agencies are liable for any penalties imposed by regulatory authorities or the relevant online media platforms and any third-party claims in connection with illegal or inappropriate marketing content and shall indemnify us against any claims and losses which may arise from illegal or inappropriate marketing content
Payment terms:	Invoices will be issued to direct advertiser customers and agencies monthly, which shall be settled generally within 90 days
Termination:	The framework agreement may be terminated (i) during the term by either party by giving 30 days’ prior written notice; (ii) in the event of a force majeure; and (iii) at the sole discretion of our Group if the direct advertising customer or agencies fail to settle our fees within a prescribed time period

Key terms of agreement with the Media Supplier

We enter into annual framework agreement with the Media Supplier. Salient terms of the framework agreement with the Media Supplier include:

Duration:	One year
Service scope:	The Media Supplier grants us with the right to place online advertisements on their various online media platforms
Pricing:	We generally pay the advertisement placement costs on CPC, CPT or CPM basis

BUSINESS

- Content review:** We undertake to ensure that the advertising content we place on the Media Supplier’s online media platforms is not false, fraudulent or misleading, does not violate any applicable laws and regulations, and does not infringe any third party’s rights. The Media Supplier shall be entitled to review the contents of the online advertisements and marketing creatives submitted by us and to be placed on their online media platforms for regulatory compliance purposes
- Payment terms:** We are generally required to provide deposits to the Media Supplier to cover the entire expected placement costs before we can execute the advertisement placement on their online media platforms
- Termination:** The annual framework agreement may be terminated (i) during the term upon mutual consent of both parties; (ii) in the event of a force majeure; and (iii) at the discretion of the Media Supplier if we fail to remedy any illegal or inappropriate advertising content after being notified by the Media Supplier

The advertisements that we place on the online media platforms operated by different advertising resources providers shall not contain any computer virus or malicious software, and shall also comply with all applicable laws and regulations in the PRC. In particular, “The Advertising Law of the PRC (中華人民共和國廣告法)” (the “**Advertising Law**”) imposes, among others, the following restrictions on the contents of the advertisements:

- (i). the advertisements shall not contain any reference to the national flag and emblem of the PRC or names of government bodies and officials;
- (ii). the advertisements shall not contain any pornographic, gambling, horror or violent contents or contents which involve sexual, racial or religious discriminations;
- (iii). no advertising is allowed for special purpose drugs such as anesthetics, psychotropic drugs, toxic drugs and radioactive drugs. Advertisements for other medicines or medical devices shall not contain any reference to success or curative rate of the medicines or medical devices, or comparisons with other medicines or medical apparatuses in terms of efficacy or safety;
- (iv). no advertisement is allowed for promotion of tobacco;

BUSINESS

- (v). advertisements for healthcare products shall not contain any contents relating to prevention or curing of diseases, assurances on the efficiency or safety of the products or comparisons with other medicines or healthcare products; and
- (vi). the advertisements shall not contain any content that denigrates the commodities or services of other producers or operators.

Our annual framework agreement with the Media Supplier generally starts from 1 January and expires on 31 December of each year. We generally approach the Media Supplier prior to the expiry of the annual framework agreement for the renewal of our cooperation with the Media Supplier in the next year. To the best of our Directors’ knowledge, in deciding whether to renew the annual framework agreement and agency certificate with us, the Media Supplier will consider, among others, the business and financial conditions of our Group, our transaction amount on advertisement placements in the past and the past performance of obligations of our Group under the framework agreement, such as whether there is any history of breach of contractual terms by us in the past. We have successfully renewed our annual framework agreement with the Media Supplier on similar key terms and conditions and our agency certificate for the period from 1 January 2023 to 31 December 2023. Since our cooperation with the Media Supplier in 2022 and up to the Latest Practicable Date, there had been no material service interruptions or disputes between the Media Supplier and us.

Under provision of advertisement placement services, our Group is an agent and we recognize revenue on a net basis. For more details on our revenue recognition policies, please refer to the section headed “Financial Information – Critical accounting policies and critical accounting estimates and judgments – Significant accounting policies – Revenue” in this document.

Background information of the Media Supplier

The Media Supplier, founded in 2012 and with headquarter in Beijing, is a leading Chinese internet technology company and operates various popular social media and online videos platforms in the PRC and has also expanded its online video platforms business to the United States and Europe. Based on public information, the Media Supplier had a registered capital of RMB200 million and recorded revenue of over US\$50 billion for 2021.

BUSINESS

Comparison of different online media advertising services

In view of the increasing popularity of online media advertising among advertiser customers, it is the intention of our Directors to continue to expand the scope of our online media advertising services and capture the increasing business opportunities of online media advertising services market in the PRC. After we started our online media advertising services in 2018, we had also commenced the provision of advertisement placement services in FY2022, details of which are set out above. For online media advertising services, our services mainly include understanding the marketing needs of customers, analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms, providing suggestions to customers on the forms of online advertisements and the types of online platforms based on their marketing needs, and liaising with online advertising resources providers for sourcing of advertising resources and execution of advertisement placements according to the instructions of the customers. For provision of advertisement placement services, our services mainly include maintaining the accounts of the customers opened at the advertising platform of the Media Supplier and arranging advertisement placement on the designated online media platforms of the Media Supplier according to the requests of our customers. The following table summarises the major characteristics and differences between our online media advertising services (including the services offered to online media advertising services customers in general and the Four Advertising Agents) and provision of advertisement placement services:

	Online media advertising services <i>Services offered to customers in general (including brand owners, advertisers and advertising agents)</i>	Provision of advertisement placement services <i>(including services offered to brand owners, advertisers and advertising agents)</i>
Platforms for the advertisement placements	Various popular online media platforms in the PRC, such as social media and online video platforms operated by different advertising resources providers	The online media platforms operated by the Media Supplier only
Content of service	<ul style="list-style-type: none"> • We will understand the marketing objectives of our customers and generally propose to our customers several online media platforms operated by different advertising resources providers for their consideration • (i) Procurement of advertising resources from the advertising resources providers (i.e. our suppliers); (ii) following up with our suppliers for the execution and progress of advertisement placement; and (iii) preparing a summary report for our customers, summarising the implementation details and analysing the effectiveness of the advertisement placements • The content of the advertisements of our customers are mainly photos, catalogs or videos showing the products or services of the advertisers. When the target Internet users browse the relevant online media platforms, the advertisements will pop up • We are generally not responsible for the content production and our customers will prepare the advertising materials by themselves and provide the advertisements in the form of photos or videos (if any) for placement on the online media platforms 	<ul style="list-style-type: none"> • Customers approach us for placing advertisements on the online media platforms operated by the Media Supplier only. Therefore, contrary to online media advertising services, we do not have discretion in proposing to our customers alternative online media platforms operated by other advertising resources providers • (i) Discussing with our customers to understand their desired time frame and cycle for the advertisement placement and amount of advertising expenditure; (ii) opening and maintaining the account of our customers at the advertising platform of the Media Supplier; (iii) injecting deposits on behalf of our customers into the accounts opened on the advertising platform of the Media Supplier; (iv) design and production of short advertisement videos based on the request of our customers; (v) operating the account of our customers on the advertising platform of the Media Supplier to place advertisements for them; and (vi) monitoring the effectiveness of the advertisement placement on the online media platforms of the Media Supplier on a real-time and continuing basis • The content of the advertisements placed by us for our customers are mainly videos produced by us or our customers. When the target Internet users browse the relevant online media platforms operated by the Media Supplier, the advertisement videos will pop up.

BUSINESS

Execution of the advertising proposal of the customers	<p>Contrary to the provision of advertisement placement services, we do not have access to the online media platforms of the advertising resources providers. Therefore, we generally pass the content of advertisements of our customers to the advertising resources providers for them to arrange publication on their online media platforms</p> <p>After receiving our customers' confirmation for the advertising proposal, we would liaise with the relevant advertising resources providers, such as operators of social media platform, to place advertisements on the relevant online media platforms for our customers. The advertising resources providers will place the advertisements of the customers on their online media platforms</p> <p>The advertisement placement contracts entered into with our customers generally set out the detailed implementation plan for the advertisement placement, including the specific online media platforms and the duration of the advertisement placement. Therefore, we will execute the advertisement placement according to the implementation plan set out in the contracts and generally do not need to seek further instruction from our customers during the advertisement placement process</p>	<p>After confirmation of the engagement with our customers, we will assist them to open an account on the advertising platform of the Media Supplier. Such account will be subsequently used to directly place advertisements on the online media platforms of the Media Supplier</p> <p>Based on the placement plan as confirmed by our customers, we proceed to operate the account of the customers opened on the online media platforms of the Media Supplier, then we inject deposits on behalf of our customers into the advertising platform of the Media Supplier as requested by our customers and we will then place the advertisements on the relevant online media platforms of the Media Supplier</p> <p>Contrary to online media advertising services, the framework agreements entered into with our customers for advertisement placement services do not set out the implementation plan for the advertisement placement. We will need to seek specific instruction from our customers on the advertisement placement details, including the specific online media platforms and duration of placement, from time to time during the advertisement placement process</p>
Advertisements performance monitoring and review	<p>As discussed above, we do not have access to the online media platforms of the advertising resources providers. Therefore, we are not able to monitor the advertisement performance and review their marketing results during the placement period of the advertisements</p> <p>Therefore, after the end of the advertising period, we will collect the publication data of the online advertisements from the relevant online media platforms and then prepare a summary report for our customers, summarising the implementation details and analysing the effectiveness of the advertisements placements</p>	<p>As discussed above, we have access to the online media platforms of the Media Supplier and can operate the account of our customers opened on such platform to review the performance of the advertisement placement on a real-time and continuing basis</p> <p>Therefore, 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 online media platforms, and provide feedback to the customers. Therefore, there is no need for us to prepare any summary report at the end of the advertising period for our customers</p>
Determination of the transaction amount of the advertisement placements	<p>Our customers generally have a fixed transaction amount for each occasion of advertisement placement and such fixed amount is stipulated in our advertisement placement contract with our customers</p>	<p>The framework agreements entered into with our customer do not set out the fixed amount of advertisement placement fees but show a fixed percentage of the amount of deposits as our service fee. The amount of fees that we can receive depends on the amount of deposits injected into the advertising platform for advertisement placement in each occasion</p>

BUSINESS

Terms of the agreements with the customers and the suppliers

Based on the advertising proposal approved by the customers, we will enter into contract with advertising resources provider for provision of the related advertising resources. In the event that the advertising resources provider terminates its agreement with us and we lose the right to place advertisement on the relevant online platforms for our customers, this shall constitute a breach of the terms of our agreement with the customers

On the other hand, if we secure the advertising resources from the advertising resources providers and our customers subsequently cancel the orders of the advertisement, we may still need to pay to the advertising resources providers for the advertising resources. Therefore, we bear the inventory risk of the advertising resources that we procure and we may need to look for another customer to use the advertising resources we have secured

Pursuant to the supplier agreement entered into between us and the advertising resources provider, in the event that the advertising resources provider loses the right to place advertisement on the online media platforms, the advertising resources provider shall refund the unutilised portion of the advertising fees to our Group, and the parties' obligations under the agreement shall then cease.

On a back-to-back basis, pursuant to our agreement with the Four Advertising Agents, if we lose the right to place advertisement, we shall refund the unutilised portion of the advertising fees to the Four Advertising Agents, and the parties' obligations under the agreement shall then cease. Therefore, we do not bear the inventory risk of the advertising resources that we procure.

We are generally required to provide full deposits to the Media Supplier to cover the entire expected advertisement placement costs before we can execute the advertisement placement on their online media platforms

In the event that the Media Supplier terminates its agreement with us and we lose the right to place advertisement on the online platforms of the Media Supplier for our customer, this shall constitute a breach of the terms of our agreement with the customer

BUSINESS

Event execution and production services

During the Track Record Period, we also assisted our customers in formulating, organising and implementing marketing campaigns and activities to promote their brands, services and products. Our customers under this business segment are mainly from tourism, household essentials manufacturing, automobile manufacturing and beverage industries. For FY2020, FY2021 and FY2022, we generated revenue of approximately RMB15.3 million, RMB32.4 million and RMB41.4 million, representing approximately 14.7%, 20.6% and 20.1% of our total revenue, respectively, from event execution and production services. During the Track Record Period, we completed 57, 99 and 87 event execution and production services projects in FY2020, FY2021 and FY2022, respectively.

According to Frost & Sullivan, despite the effect of the COVID-19, the total expenditure in event execution and production service market in China in the second half of 2020 reached RMB35.6 billion, representing an increase of 7.7% compared to that in the second half of 2019 since certain private enterprises increased their budgets for event execution and production services. According to Frost & Sullivan, such increase in marketing budgets was mainly driven by (i) the customers' business plan to recover their business performance from the impact of COVID-19 in the second half of 2020; (ii) the customers' business plan to explore new methods to boost business performance as a result of the impact of COVID-19, such as the integration of new media which covered scene activities, online media and other marketing methods; and (iii) customer preference over conducting marketing strategies through event execution and production as event execution and production service is one of the effective ways to enhance brand reputation and interactions with their consumers. For FY2020, we had three large-scale event execution and production service projects, each with a contract value of over RMB1 million, with an aggregate contract value of approximately RMB5.4 million. In response to the increase in market demand for the second half of 2020, we allocated more sales and marketing resources for our event execution and production services. In particular, we had focused our effort on exploring business opportunities from existing customers which had previously engaged us for branding services projects. As a result, our revenue generated from Follow-up Engagements of event execution and production services amounted to approximately RMB13.7 million, representing approximately 89.6% of the total revenue generated from event execution and production services for FY2020.

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 (i) the general restriction of such services during the outbreak of COVID-19 for FY2020; and (ii) 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 generally resumed in China, and scene activities, such as cultural events, exhibitions and conferences resumed offline 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. Also, according to Frost & Sullivan, the integration of various new media becomes popular in recent years, the advertisers will select different means of marketing such as scene activities and internet

BUSINESS

marketing to implement an effective marketing campaign. Our customers increased both the number and size of contracts for our event execution and production services in the second half of 2020 after the effective control of COVID-19 and such trend continued in 2021.

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 from our recurring customers and the increase in our average revenue per project as a result of the (i) post-COVID recovery of the economic activities, public transport services and scene activities in the PRC in FY2022; and (ii) increasing demand for combining different means of marketing such as scene activities and internet marketing to implement an effective marketing campaign.

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. To ensure the quality of the campaigns, we would collaborate with and supervise independent third-party service providers to prepare and execute the event covering all material aspects, including sound and lighting adjustment, stage design, photography and video shooting, visual effect display, content write-up and material supplies on event day. We are generally more involved in the overall planning and supervision of the marketing campaigns and the communication amongst our customers and independent third-party service providers whilst the independent third-party service providers are more focused on the execution aspects of the events.

After the execution of the marketing events, we would prepare a summary report to summarise the implementation details of the marketing events and analyse the effectiveness of the marketing events. In the summary report, we would set out various data collected from various social media channels for customers to evaluate the effectiveness of the marketing events, such as number of times of viewership of the marketing event videos, number of viewers and comments made relating to the articles about the marketing event posted on the media channels and the comments made by the public on the marketing events, etc.

Below are the major steps involved in planning and organisation of a marketing campaign:

Preliminary discussions:	When our customers approach us for a marketing campaign, we will hold meetings with our customers to understand the nature of products and/or services involved, theme and timing for the event, resources and background.
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BUSINESS

Formulation of campaign strategies and proposal:

We will consult the potential third-party service providers and obtain fee quotation for the equipment and materials required for the execution of the marketing event. We will then prepare a detailed event execution proposal setting out the campaign strategies, plan, flow of event, budget, schedule and other details for our customer’s review.

Further discussions with our customers and confirmation of proposal:

We will further discuss with our customers regarding their specific requirements and objectives and present our proposals to them for confirmation.

Commencement of preparation work:

Following confirmation of our proposals and entering of the service agreement with the customers, we will commence preparation work for the product and/or service marketing campaign.

We will discuss and finalise with third-party service providers the specific requirements, venue decoration designs, procurement of supplies (such as catering and media), run-down, work allocations and schedule.

Implementation and execution of the event:

Our team will continuously work with our customers, liaise with other service providers and monitor the progress of the event to ensure that the event is organised in accordance with the approved proposal until completion.

Set out below are samples of our event execution and production services projects during the Track Record Period:



BUSINESS

OUR PROJECTS

The following sets forth the breakdown of revenue and number of projects by project types during the Track Record Period:

	FY2020		FY2021		FY2022	
	No. of projects <i>(Note)</i>	Revenue <i>(RMB'000)</i>	No. of projects <i>(Note)</i>	Revenue <i>(RMB'000)</i>	No. of projects <i>(Note)</i>	Revenue <i>(RMB'000)</i>
Branding services	66	61,255	76	74,926	88	90,502
Traditional offline media advertising services	21	8,466	16	4,083	10	2,204
Online media advertising services	27	18,465	72	46,196	87	48,145
Event execution and production services	58	15,258	101	32,432	93	41,380
Provision of advertisement placement services (including rebates from media partner)	–	–	–	–	107	23,210

Note: the number of projects represents the number of projects with revenue recognition in the relevant year.

We generally enter into contracts with our customers on a project basis for the provision of our services. The following table sets forth the movement of the number of our projects during the Track Record Period and from 1 January 2023 to the Latest Practicable Date:

	FY2020	FY2021	FY2022	Since 1 January 2023 and up to the Latest Practicable Date
Number of ongoing projects at the beginning of the year/period	8	4	28	17
• Branding services	2	3	15	7
• Traditional offline media advertising services	1	–	2	–
• Online media advertising services	–	–	9	–
• Event execution and production services	5	1	2	6
• Provision of advertisement placement services (including rebates from media partner)	–	–	–	4

BUSINESS

	FY2020	FY2021	FY2022	Since 1 January 2023 and up to the Latest Practicable Date
Add: Number of new projects awarded	164	261	357	348
• Branding services	64	73	73	31
• Traditional offline media advertising services	20	16	8	–
• Online media advertising services	27	72	78	82
• Event execution and production services	53	100	91	54
• Provision of advertisement placement services (including rebates from media partner)	–	–	107	181
Less: Number of projects completed	168	237	368	139
• Branding services	63	61	81	15
• Traditional offline media advertising services	21	14	10	–
• Online media advertising services	27	63	87	78
• Event execution and production services	57	99	87	43
• Provision of advertisement placement services (including rebates from media partner)	–	–	103	3
Number of projects at the end of the year/period	4	28	17	226
• Branding services	3	15	7	23
• Traditional offline media advertising services	–	2	–	–
• Online media advertising services	–	9	–	4
• Event execution and production services	1	2	6	17
• Provision of advertisement placement services (including rebates from media partner)	–	–	4	182

BUSINESS

The following table sets forth 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:

	FY2020 <i>(RMB'000)</i>	FY2021 <i>(RMB'000)</i>	FY2022 <i>(RMB'000)</i>	Since 1 January 2023 and up to the Latest Practicable Date <i>(RMB'000)</i> <i>(unaudited)</i>
Outstanding contract sum at the beginning of the year/period <i>(Note)</i>	2,288	690	14,789	3,721
• Branding services	438	482	7,794	154
• Traditional offline media advertising services	191	–	110	–
• Online media advertising services	–	–	6,647	–
• Event execution and production services	1,659	208	238	3,567
Add: Contract sum of new contracts <i>(Note)</i>	101,846	171,736	171,163	96,298
• Branding services	61,299	82,238	82,862	57,147
• Traditional offline media advertising services	8,275	4,193	2,094	–
• Online media advertising services	18,465	52,843	41,498	18,079
• Event execution and production services	13,807	32,462	44,709	21,071
Less: Revenue recognised in the relevant year/period	103,444	157,637	182,231	87,601
• Branding services	61,255	74,926	90,502	45,758
• Traditional offline media advertising services	8,466	4,083	2,204	–
• Online media advertising services	18,465	46,196	48,145	17,551
• Event execution and production services	15,258	32,432	41,380	24,292

BUSINESS

	FY2020	FY2021	FY2022	Since 1 January 2023 and up to the Latest Practicable Date
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000) (unaudited)</i>
Outstanding contract sum at the end of the year/period <i>(Note)</i>	690	14,789	3,721	12,418
• Branding services	482	7,794	154	11,543
• Traditional offline media advertising services	–	110	–	–
• Online media advertising services	–	6,647	–	528
• Event execution and production services	208	238	3,567	346

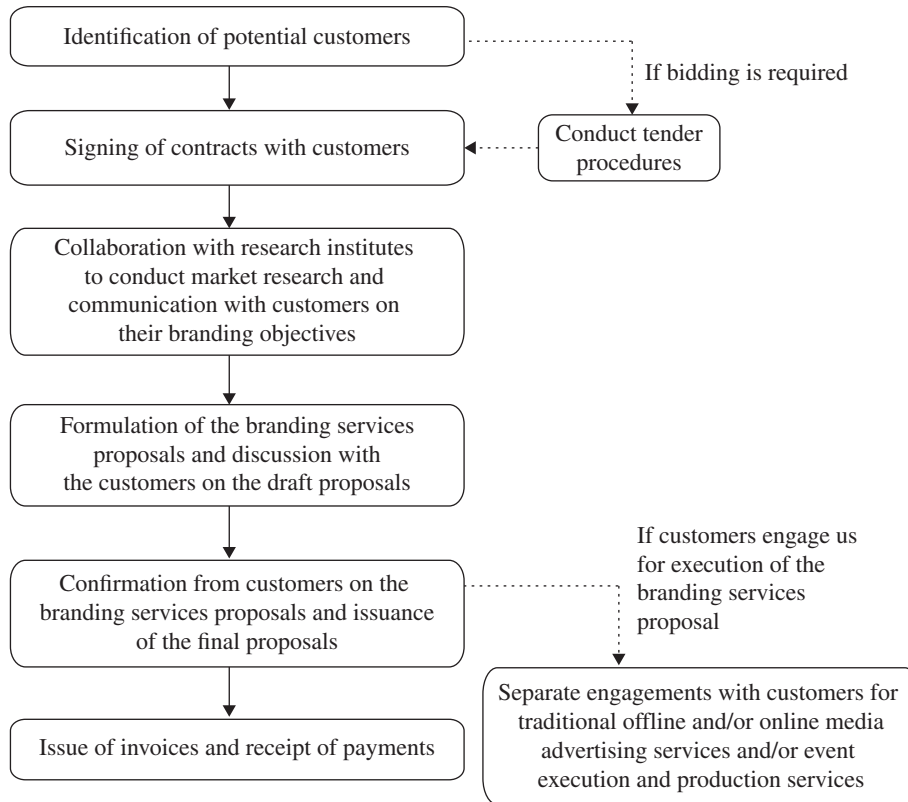
Note: the contract sum indicated was tax exclusive. For our provision of advertisement placement services, the contracts performed or entered into by us during FY2022 were only framework agreements and therefore no contract sums were stated in the contracts.

We did not have any material loss-making projects for FY2020, FY2021 and FY2022 and up to the Latest Practicable Date.

BUSINESS

OUR OPERATIONAL WORKFLOW

The following diagram describes the workflow of our branding services:



Step 1: Identification of potential customers

We generally identify potential customers through (i) reaching out to potential customers based on the results of our analysis of marketing data and referrals from our existing customers; (ii) participating in public tenders; and (iii) participating in industry exhibitions. For further details, please refer to the paragraph headed “Sales and marketing” in this section.

The above process generally requires 30 to 90 days to complete.

BUSINESS

Step 2: Signing of contracts with customers

We will finalise our terms of contracts with the customers (including, among others, the scope of branding services, the contract period, the fees and payment schedule) and enter into contracts with them. If tender is required, we will also prepare the relevant tender documents and submit our proposals.

The above process generally requires 20 to 30 days to complete.

Step 3: Preparation and submission of branding services proposals

After signing of contracts with the customers, we will generally collaborate with research institutes to conduct market research on the industry in which the customers operate. For details, please refer to the paragraphs headed “Our principal business – Branding services” and “Collaboration with research institutes” in this section. We will communicate with our customers to understand their background, expectations and marketing and branding objectives. After understanding their objectives, we will prepare preliminary proposals for our customers’ consideration including, amongst others, preliminary analysis of the customers’ background and the industry information, consumers’ demand and behaviour, overall brand positioning and marketing strategies. We will then discuss the draft branding services proposals with the customers, and fine-tune our draft proposals according to the customers’ feedback before submitting the final proposal to the customers.

The aforesaid market research process by research institutes generally requires 60 to 80 days to complete, while the preparation of the preliminary branding services proposals and the finalisation of the proposals generally require 60 to 100 days to complete.

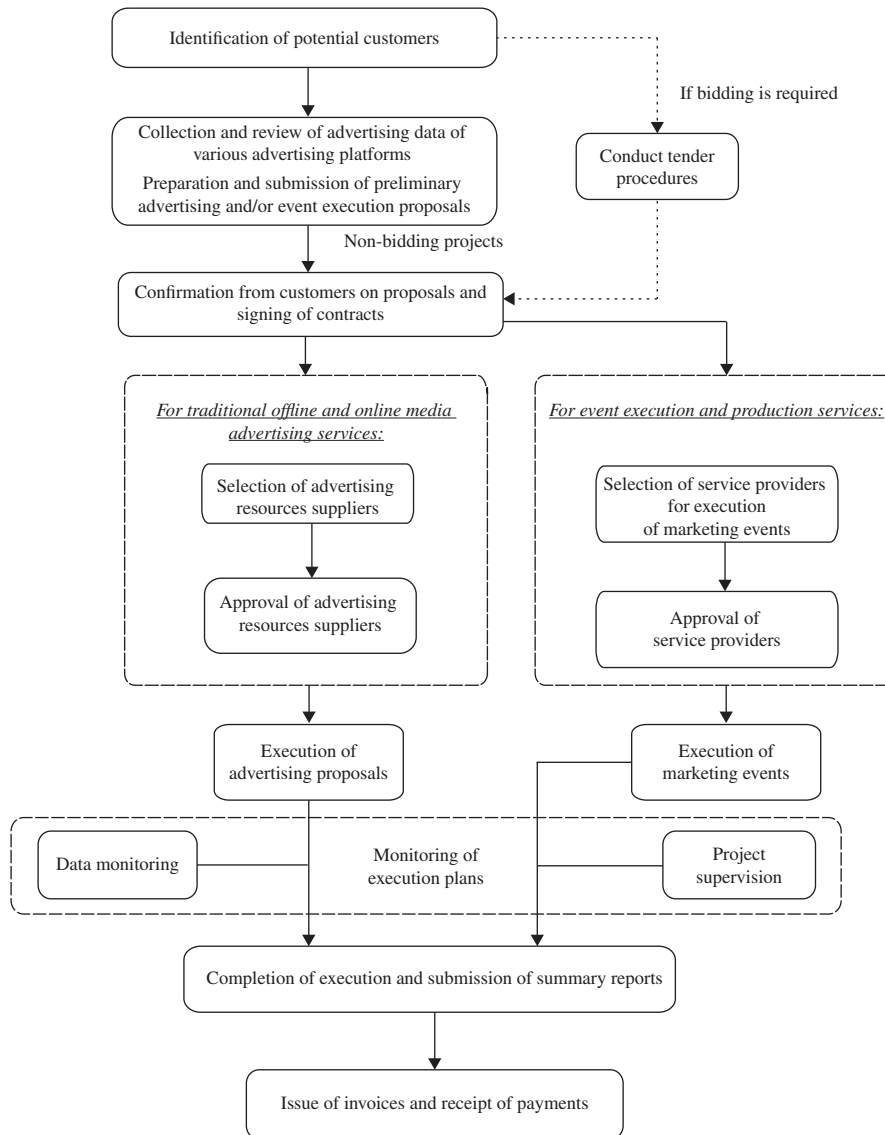
Step 4: Issue of invoices and receipt of payments

After receiving confirmation from our customers and issuance of the final branding services proposals, we will issue invoices to our customers for settlement. For details of the payment terms and settlement of payments, please refer to the paragraph headed “Credit policy and collection” in this section.

The above process generally requires up to 90 days to complete.

BUSINESS

The following diagram describes the workflow of our traditional offline and online media advertising services and event execution and production services:



Step 1: Identification of potential customers

We generally identify potential customers through (i) reaching out to potential customers based on the results of our analysis of marketing data and referrals from our existing customers; (ii) participating in public tenders; and (iii) participating in industry exhibitions. We also communicate with our existing customers closely to identify their ongoing advertising needs and marketing objectives regularly. For further details, please refer to the paragraph headed “Sales and marketing” in this section.

The above process generally requires 30 to 90 days to complete.

BUSINESS

Step 2: Preparation and submission of preliminary advertising and/or event execution proposals

After identifying an opportunity, we will communicate with our customers to understand their background, requirements and expectations. After understanding their marketing objectives, budgets and timetables, we will prepare preliminary proposals for our customers’ consideration including, amongst others, (for advertising services) media mix suggestions (including the background and strengths of each media), advertising execution plans (such as the media type, advertising method, length and interval of the advertisement, etc.), and (for event execution and production services) suggestions on the themes and activities of the marketing events. If tender is required, we will also prepare the relevant tender documents and submit our proposals.

The above process generally requires 7 to 15 days to complete.

Step 3: Signing of contracts and confirmation from customers on proposals

We will finalise our terms of contracts with the customers and enter into contracts with them. After confirming the fee and availability of the relevant advertising resources and/or third-party service providers, we will finalise the proposals (setting out the fees and execution plans) for our customers’ confirmation.

For traditional offline and online media advertising services, after receiving confirmation from our customers on the proposals, we will shortlist from our list of qualified advertising resources suppliers and/or third-party service providers based on customers’ budgets. Then we will negotiate with the potential advertising resources suppliers and/or third-party service providers regarding the price and availability of the advertising resources as well as the related materials and services. For our event execution and production services, we will liaise with the third-party service providers on the execution of the relevant events.

The above process generally requires up to 30 days to complete.

Step 4: Selection and approval of suppliers

Based on the approved advertising or marketing events proposals, we will contact and confirm with our suppliers for provision of the related advertising resources, materials and/or services. When the terms and conditions are finalised and approved by us, we will sign contracts with our suppliers.

The above process generally requires up to 30 days to complete.

BUSINESS

Step 5: Execution of advertising and/or event execution proposals

After entering into contracts with the relevant suppliers and/or third-party service providers, we will coordinate with them to execute the advertising and/or event execution proposals according to the execution plans, which may include, amongst others, (for advertising services) advertisement publication during the publication schedule as stated in the final proposal or contract, and (for event execution and production services) execution of the marketing campaigns and activities.

BUSINESS

For quality control and to ensure smooth execution, we will monitor the implementation of the proposals throughout the whole process to ensure that they are properly and effectively executed. For example, we will obtain from the suppliers of advertising resources the proof of advertisements publication. We will also conduct random site visit at the location where the advertisement is displayed to ascertain that the advertisement is published in accordance with our customers’ requirements.

The above process generally requires 30 to 180 days to complete for traditional offline media advertising services, 60 to 210 days for online media advertising services and 10 to 120 days for event execution and production services, depending on the duration of the publication schedules and/or execution plans as required by our customers.

Step 6: Completion of execution and submission of reports

After completion of execution, we will provide our customers with broadcasting supervision certificates (監播證明), photos and/or screen captures that show the execution of the advertisements, social marketing campaigns and/or implementation of our advertising and/or event execution proposals. We will also provide summary reports for our customers for reference. The summary reports are generally prepared by us and summarise implementation details of the advertisements or the marketing events and analyse the effectiveness of advertisements or the marketing events based on factors such as public comments, exposure rate and advertisement impression.

The above process generally requires up to 30 days to complete.

Step 7: Issue of invoices and receipt of payments

After completion of the execution and issue of the summary report, we will issue invoices to our customers for settlement. For details of the payment terms and settlement of payments, please refer to the paragraph headed “Credit policy and collection” in this section.

The above process generally requires up to 90 days to complete.

For details of the workflow of our provision of advertisement placement services, please refer to the paragraph headed “Our principal business – Provision of advertisement placement services (including rebates from media partner)” in this section.

SALES AND MARKETING

We mainly source and identify potential customers and promote our business by (i) reaching out to potential customers based on the results of our analysis of marketing data and referrals from our existing customers; (ii) participating in public tenders; and (iii) participating in industry exhibitions. Occasionally, we also promote our brand by publishing news articles relating to site visits by the government officials, our involvement in industry exhibitions and key award and recognitions we received. In particular, our sales and business operation department is mainly responsible for exploring new customers, communicating with and maintaining existing customers, gathering information of the customers and recording their needs, marketing objectives and budgets and passing such information to our management department, as well as presenting the final service proposal to our customers. As part of our client management strategy, our sales and business operation department will also assist our management department and media operation department, in communicating with our customers throughout the provision of services.

BUSINESS

Reaching out to potential customers based on marketing data and referrals from our existing customers

We contact potential customers through making phone calls. We will then build up relationships with these potential customers through providing relevant industry data and analysis, offering preliminary service proposals and conducting site visits. We also communicate with our existing customers regularly to understand their specific needs, obtain feedbacks on our advertising services and get a better understanding on the market trend. From time to time, our existing customers may invite us to prepare branding and advertising proposals for their consideration and/or refer other potential customers to us.

The following table sets out the number of and the breakdown of revenue by new and recurring 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 (including 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 (including rebates from media partner)	-	-	-	-	-	-	87	23,210	11.3
Total	66	103,444	100.0	104	157,637	100.0	177	205,441	100.0

BUSINESS

Notes:

1. Recurring customers refer to customers which have 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 us 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.

For FY2020, FY2021 and FY2022, we generated revenue from 66, 104 and 177 customers, of which 50, 49 and 56 customers are recurring customers, respectively, indicating our strong customer base. Revenue contributed by our recurring customers also 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 remained relatively stable at approximately 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 FY2020, the Follow-up Engagements on online media advertising services projects increased significantly as we allocated more resources from traditional offline media advertising services to online media advertising services in view of the increasing popularity of online media and our strategic shift of focus on such business segment during the Track Record Period. In view of the increasing popularity of online media after the outbreak of COVID-19, we secured new customers to engage our online media advertising services in FY2021, which resulted in a general increase in revenue from new customers of online media advertising services. 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 enterprises, in particular, revenue contribution from (i) Customer E increased by 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 “Customers – FY2021” in this section 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 and that 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 budget in promoting their businesses; and (iii) the increase in average contract sum of our event execution and production

BUSINESS

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) (a top 5 customer of our Group for FY2020 and FY2022) 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 paragraph headed “Customers – FY2022” in this section for details of the background of our five largest customers for FY2022.

BUSINESS

Participating in public tenders

We sometimes identify potential customers and projects through tendering. We identify tender invitations through exploring public tender invitations through public information available. In respect of tenders, our sales and business operation department will submit tender application documents together with a service proposal formulated by our Group. Our (i) sales and business operation department; (ii) media operation department; and (iii) finance and accounting department collaborated in the tender process to formulate customised service proposals, which will generally set out the available media resources and our recommended branding, advertising and marketing solutions, after conducting data analysis and considering the budget and characteristics of the potential customers. Our cross-departmental collaboration in the tender process enables us to benefit from each department’s areas of expertise to enhance our competitiveness. We are generally required to submit tender documents including our qualifications, the service proposal, the authorisation certificate issued by the relevant suppliers such as TV station operators and the advertisement we placed on relevant suppliers in the previous years.

During the Track Record Period, we recorded revenue generated from tenders of approximately RMB4.8 million, RMB6.0 million and RMB15.2 million, representing approximately 4.7%, 3.8% and 7.4% of our total revenue, respectively. The increase in the number of submitted and successful tenders for FY2021 were in line with the increase in our revenue for such period. The following table illustrates our tender success rate during the Track Record Period:

	FY2020	FY2021	FY2022
Number of tenders submitted	2	19	16
Number of successful tenders	1	10	9
Success rate of tender proposals	50.0%	52.6%	56.3%

Participating in industry exhibitions

We attend industry conferences to solicit new customers and to promote our brand in the advertising industry. After the exhibitions, our team would (i) gather background information of the potential customers and follow-up; (ii) meet with the potential customers to introduce our capability, and identify their marketing objectives and budget; and (iii) prepare and present our tailor-made service proposals to the potential customers based on their specific requirements.

BUSINESS

PRICING POLICY

We formulate and adjust our pricing policy in accordance with industry information and market trends. For our branding services, we generally determine our service fee based on a cost-plus approach with reference to our staff costs and research expenses. According to Frost & Sullivan, branding service providers normally charge fees on a cost-plus basis based on the estimated costs according to the service scope, project duration and customers’ requirements.

For our advertising services, we generally determine our service fee based on a cost-plus approach with reference to the costs of acquiring the advertising resources and/or supplies for implementing the social marketing events. According to Frost & Sullivan, the cost for various forms of advertising resources ranges widely depending on its nature and distribution platforms.

For our event execution and production services, we generally charge fees on a cost-plus approach with reference to our staff costs and the fees charged by our suppliers for implementing marketing events. According to Frost & Sullivan, the event execution and production service providers generally determine their service fees to their customers on a cost-plus basis according to the costs of site leasing and procuring materials of scene activities and relevant services from third-party companies.

For our provision of advertisement placement services, the fees which we charge our direct advertiser customers and agencies mainly comprise (i) the cost for advertisement placement on the online media platforms charged by the Media Supplier; (ii) our service fee for advertisement placement and other related services; and (iii) the rebates we offered to our customers. For details, please refer to the paragraph headed “Our principal business – Provision of advertisement placement services (including rebates from media partner)” in this section.

Accordingly, we 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 instance, we may set a higher price for those advertising projects which require delivery in a short period of time as such project will require more manpower, thus increasing our costs in providing such services. On some occasions, we received enquiries from customers for discounts and may offer a discounted price to customers with a high industry ranking 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 build up our business portfolio 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.

SEASONALITY

Our business may be affected by seasonality. According to Frost & Sullivan, revenue fluctuations are common in the advertising industry and are primarily resulted from fluctuations in advertising expenditure of the target customers in different industries. Our Directors consider the demand for our advertising services from our customers relates to the consumption pattern and other seasonal factors of consumers on the advertising products or services. Further, there is also seasonality effect in branding and event execution and production services that are related to advertising. Based on our past experience during the Track Record Period, our revenue is typically higher in the second half of the year as a large proportion of marketing activities is concentrated on product or services newly launched or promotional campaigns prior to the holiday seasons in the summer holidays, Mid-Autumn Festival, National Day, the Double 11 Online Shopping Festival and New Year’s Eve.

BUSINESS

CREDIT POLICY AND COLLECTION

Our Group adopts prudent credit control procedures and we regularly monitor settlement of our receivables. The credit period granted to our customers are generally determined with reference to, among others, the financial position, credit record, duration of business relationship and the types of services we provide. Credit and payment terms may vary for different customers and projects. We generally issue invoices to our customers after providing branding, advertising, event execution and production services and/or provision of advertisement placement services according to the contracts. Summary of the general credit terms and policy adopted by type of services provided by us are set out below:

Type of services	General credit terms and policy
Branding services	We generally receive prepayment before services are provided. We generally receive 20% of the contract value as first instalment after signing the contracts and receive the remaining contract value by instalments in accordance with the progress of services provided. We generally provide credit period of approximately 90 days.
Traditional offline media advertising services	We generally receive service fee on a monthly basis. For a few customers, our Group receives prepayment before services are provided. Our Group generally provides credit period of approximately 90 days.
Online media advertising services	We generally receive service fee on a monthly basis. Our Group generally provides credit period of approximately 90 days.
Event execution and production services	We generally receive prepayment before services are provided. We generally receive the service fee by instalments in accordance with the progress of services provided. Our Group generally provides credit period of up to 90 days.
Provision of advertisement placement services	We generally receive service fee on a monthly basis. Our Group generally provides credit period of approximately 90 days.

Our revenue is denominated in RMB and is generally settled by our customers by way of bank transfer.

INVENTORY

Our Group does not hold inventory for projects.

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.

BUSINESS

As advised by our PRC Legal Advisers, according to the Law of the PRC on Protecting the State Secrets* (中華人民共和國保守國家秘密法), Implementation Regulations of the Law of the PRC on Protecting the State Secrets* (中華人民共和國保守國家秘密法實施條例) and Interim Regulations on the Administration of Secret Classification of State Secrets* (國家秘密定密管理暫行規定) (together, the “**State Secret Protection Laws**”), state secrets refer to matters relating to national security and interests determined in accordance with legal procedures and only made known to certain personnel within a limited period of time. A state secret mark shall be stamped on the instruments containing state secret once relevant information is determined as state secret.

During the Track Record Period, we received information from state-owned enterprises, including information relating to their business, underlying contracts and invoices evidencing the trade receivable, in the course of entering into transactions with them. To the best information and belief of our Directors after making all reasonable enquiries, no information whatsoever falling within the ambit of state secrets under the State Secret Protection Laws has ever been provided or disclosed to us. Further, we have never been informed or notified by any of our customers that any information provided to us falls into the category of state secrets, nor was requested to take any relevant security measures to protect such information, and no information which was labelled as state secrets has ever been received by us. As advised by our PRC Legal Advisers, considering our business activities and the industries of our customers which are state-owned enterprises, we are not required to obtain state secret information and are not exposed to state secrets when assessing the credit risks of our customers and the underlying debtors or entering into transactions with our customers.

During the Track Record Period, some advertising agents sourced advertising resources from us for their customers as we have established cooperative relationships and connections with certain advertising resources providers which enable us to possess specific advertising resources which may not be immediately available to other advertising agents. We are able to secure these specific advertising resources as we have developed strategic relationships with suppliers of a wide range of media resources and established long-standing relationships with other major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province. These long-established relationships give us competitive edge in securing valuable advertising resources such as (i) TV advertising time slots during prime time; (ii) online advertising resources in popular online social media, e-commerce and OTT platforms; and (iii) the most updated and first-hand information regarding the advertising resources available across different media platforms and channels. During the Track Record Period, specific advertising resources that we are able to get access to and provide to our advertising agent customers include the largest search engine in the PRC, a Chinese news and information content platform, a Chinese electronics company, a social networking app, a short video social app, national radio broadcasting channel and major provincial satellite TV channels. During the Track Record Period, our service scope to advertising agent customers include (i) provision of advertising resources to customers for placement of advertisements; (ii) assisting customers in placement of advertisements, ranging from graphic, video, search effect, radio broadcasting to television broadcasting advertisements, on the relevant advertising

BUSINESS

platforms; (iii) obtaining of advertisement performance data, such as audience mix, browser background, browser behaviours and preferences, from certain advertising platforms; and/or (iv) issuance of project completion report with advertising performance data to our customers.

Salient terms of the contracts we entered into with our advertising agent customers (excluding the agencies customers under our provision of advertisement placement services) are summarised as follows:

Contract period:	A fixed term of not more than 12 months depending on the project.
Consideration:	A fixed consideration is stipulated in the individual contract in respect of each project.
Payment terms:	Generally by monthly instalments upon signing of the contract.
Scope of services:	Sourcing and providing specific media resources and evaluation of the advertisements’ effectiveness.
Termination	In general, neither of the party is entitled to terminate the agreement unilaterally. If a party is in breach of the agreement and/or the relevant laws and regulations, the other party is entitled to demand liquidated damages of up to 20% of the total consideration and/or other uncovered damages (including but not limited to economic loss, legal fees and notarisation fees etc.).

For details of the salient terms of the framework agreements we entered into with agencies customers for our provision of advertisement placement services, please refer to the paragraph headed “Our principal business – Provision of advertisement placement services (including rebates from media partner)” in this section.

BUSINESS

Wuhan Tongrui Chengyi Cultural Media Company Limited (武漢通瑞誠益文化傳媒有限公司) (“**Advertising Agent Customer A**”) was one of our advertising agent customers for FY2021 and was also our supplier for FY2020, FY2021 and FY2022. The table below sets out our revenue and gross profit margin contributed by Advertising Agent Customer A and cost of services provided by Advertising Agent Customer A during the Track Record Period:

	FY2020			FY2021			FY2022		
	Revenue <i>RMB'000</i>	Gross profit margin in relation to revenue	Cost of services provided by Advertising Agent Customer A <i>RMB'000</i>	Revenue <i>RMB'000</i>	Gross profit margin in relation to revenue	Cost of services provided by Advertising Agent Customer A <i>RMB'000</i>	Revenue <i>RMB'000</i>	Gross profit margin in relation to revenue	Cost of services provided by Advertising Agent Customer A <i>RMB'000</i>
Advertising Agent Customer A	-	-	577	278	35.3%	2,106	-	-	5,971

Advertising Agent Customer A is a limited liability company established in the PRC in 2015, which was principally engaged in provision of cultural and art exchange consulting, conference and exhibition services; corporate planning services and advertising, design and production agency. During the Track Record Period, we engaged Advertising Agent Customer A to provide, among others, filming, producing promotional videos and printing of tickets and vouchers based on our customers’ advertising content. Through our business contacts with them, they had the knowledge that we also possess specific media resources. In FY2021, Advertising Agent Customer A engaged us to provide taxi cab LED animation display, which was classified as our traditional offline media services. Our Directors confirm that our services to or engagement of Advertising Agent Customer A were entered into after due consideration taking into account the prevailing service fee and conducted in the ordinary course of business under normal commercial terms and on an arm’s length basis.

According to Frost & Sullivan, as each advertising agent possesses different media resources, it is a common market practice and within industry norm that advertising agents will engage each other to procure advertising resources based on customers’ advertising content and media platforms required. While the service scope of advertising agents mainly focuses on providing advertising resources and placing advertisements on relevant advertising platforms, our capabilities in strategy formulation and data analysis differentiate us from other advertising agents. Apart from providing advertising resources, we are capable of formulating tailor-made branding, advertising and marketing solutions for our customers through analysing market and industry data procured by us from third party research institutes such as projection of the market demand for the products and/or services to be marketed and promoted by our customers, analysis of consumers’ behaviours and preferences, branding, advertising and marketing strategies adopted by our customers’ competitors and target audience of different advertising platforms and channels. For details of our capabilities in strategy formulation and data analysis, please refer to the paragraph headed “Our Competitive Strengths – We have developed strategy formulation and data analytical capabilities” in this section.

BUSINESS

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

	FY2020		FY2021		FY2022	
	Revenue (RMB'000)	Approximate % of our total revenue (%)	Revenue (RMB'000)	Approximate % of our total revenue (%)	Revenue (RMB'000)	Approximate % of our total revenue (%)
Brand owners and						
advertisers	97,207	94.0	147,883	93.8	160,650	78.2
– Private enterprises	86,966	84.1	131,197	83.2	145,787	71.0
– State-owned enterprises	3,883	3.8	9,170	5.8	7,632	3.7
– Government authorities	6,358	6.1	7,516	4.8	7,231	3.5
Advertising agents	6,237	6.0	9,754	6.2	44,791	21.8
Total	103,444	100.0	157,637	100.0	205,441	100.0

Our revenue contributed by brand owners and advertisers remained relatively stable at approximately 94.0% and 93.8% of our total revenue for FY2020 and FY2021, respectively. Our revenue contributed by brand owners and advertisers decreased from approximately 93.8% for FY2021 to approximately 78.2% for FY2022 which was mainly due to the increase in revenue from advertising agents from our provision of advertisement placement services which we commenced in FY2022.

After the general stabilisation of COVID-19 in the second half of 2020, our revenue generated from all customer types increased in FY2021 as a result from the growing market demand for branding and advertising services after the outbreak of COVID-19 and our Group’s enhanced sales efforts to secure new customers. According to Frost & Sullivan, private enterprises and government authorities generally continued their marketing strategies in FY2021. On the one hand, private enterprises in China continued adopting active marketing strategies in 2021 mainly due to (i) the growing attention to brand reputation from private enterprises and (ii) the emergence of favourable policies encouraging and supporting the development of small and medium-sized private enterprises, such as the Notice on Further Strengthening the Support to Small and Medium-Sized Enterprises* (關於進一步加大對中小企業紓困幫扶力度的通知) issued by the State Council in 2021. On the other hand, along with the successful control of COVID-19 and the rapid economic recovery in China in 2021, state-owned enterprises put emphasis on business development and gradually increased their budgets for branding and marketing strategies. Our five largest customers for FY2021 were recurring private enterprises from the automobile manufacturing, healthcare food production, health and beverage industries, in particular, revenue contribution from (i) Customer E increased by RMB2.8 million for FY2021; (ii) Customer F increased by approximately

BUSINESS

RMB8.2 million for FY2021; and (iii) Customer D increased by approximately RMB0.3 million for FY2021. Please refer to the paragraph headed “Customers – FY2021” in this section for details of the background of our five largest customers for FY2021.

Our revenue contributed by advertising agents also remained relatively stable at approximately 6.0% and 6.2% of our total revenue for FY2020 and FY2021, respectively. Our revenue contributed by advertising agents increased from approximately 6.2% for FY2021 to approximately 21.8% which was mainly due to the increase in revenue from advertising agents generated from our provision of advertisement placement services which we commenced in FY2022.

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

	FY2020		FY2021		FY2022	
	Approximate % of total revenue	Approximate % of total revenue	Approximate % of total revenue	Approximate % of total revenue	Approximate % of total revenue	Approximate % of total revenue
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
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 (<i>note 1</i>)	–	–	–	–	514	0.2
Total	103,444	100.0	157,637	100.0	205,441	100.0

Note:

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

BUSINESS

Although we mainly carried out our business operations through our two offices in Wuhan and Macheng, both of which are located in Hubei Province, during the Track Record Period, we sourced and identified potential customers and promoted our business by (i) reaching out to potential customers based on the results of our analysis of marketing data and referrals from our existing customers; (ii) participating in public tenders; and (iii) participating in industry exhibitions. Occasionally, we also promoted our brand by publishing news articles relating to site visits by the government officials, our involvement in industry exhibitions and key award and recognitions we received. Some of our customers operate branch offices in Hubei Province which referred our Group to their sales and marketing team of their headquarters outside Hubei Province. As a result, we secured customers across various geographical locations.

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 from approximately RMB71.9 million in FY2020 to RMB115.7 million in FY2021, 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 significant decrease in FY2021 was primarily due to one of our Fujian advertising agent 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.

BUSINESS

We provide branding, advertising and event execution and production services to customers from a wide range of industries, such as beverage, healthcare food production, automobile manufacturing, household essentials manufacturing, tourism, retail and advertising, for promotion of their brands, various products and/or services. The following table sets out a breakdown of revenue by industries of customers during the Track Record Period:

	FY2020		FY2021		FY2022	
	<i>Approximate % of total revenue RMB'000</i>	<i>(%)</i>	<i>Approximate % of total revenue RMB'000</i>	<i>(%)</i>	<i>Approximate % of total revenue RMB'000</i>	<i>(%)</i>
- Beverage	18,706	18.1	26,014	16.5	23,805	11.6
- Automobile manufacturing	13,799	13.4	19,373	12.3	28,134	13.7
- Household essentials manufacturing	12,459	12.0	11,648	7.4	16,195	7.9
- Medicine manufacturing	5,015	4.8	9,522	6.0	14,229	6.9
- Tourism	9,543	9.2	13,721	8.7	9,252	4.5
- Health (<i>Note 1</i>)	30	0.0	8,604	5.5	6,846	3.3
- Retail	9	0.0	10,513	6.7	12,123	5.9
- Advertising	6,237	6.0	8,751	5.6	44,801	21.8
- Agricultural and related food processing	12,025	11.6	5,054	3.2	7,857	3.8
- Food production	11	0.0	5,731	3.6	4,228	2.1
- Healthcare food production	17,885	17.3	8,503	5.4	12,804	6.2
- Real estate development	82	0.1	3,557	2.3	2,604	1.3
- Metal products manufacturing	179	0.2	3,958	2.5	2,838	1.4
- Education	461	0.5	4,010	2.5	2,466	1.2
- Public management and welfare	1,960	1.9	2,871	1.8	2,134	1.0
- Catering	638	0.6	1,118	0.7	1,117	0.5
- Beauty-care	4,142	4.0	4,417	2.8	3,751	1.8
- Civil engineering	-	-	2,490	1.6	835	0.4
- Information technology	-	-	-	-	755	0.4
- Recreation, sports and culture	8	0.0	2,009	1.3	-	-
- Commercial services	15	0.0	1,847	1.2	-	-
- Financial services	57	0.1	826	0.5	-	-
- Wholesale	-	-	291	0.2	2,991	1.5
- Textiles	-	-	-	-	1,245	0.6
- Others (<i>Note 2</i>)	183	0.2	3,100	1.9	4,431	2.2
Total	103,444	100.0	157,637	100.0	205,441	100.0

Notes:

1. Health mainly included plastic surgery hospital.
2. Others primarily represented customers from various industries such as transportation and water supply.

BUSINESS

The following tables set forth the details of our five largest customers in each year in terms of revenue during the Track Record Period:

BUSINESS

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BUSINESS

FY2020

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Approximate % of our Revenue total revenue
							(RMB'000) %
Customer A (Note 2)	Medical technology development; disinfection products, chemical products, daily necessities, electronic products, cosmetics, biotechnology development, drug research and development, production, wholesale and retail; food, health products, health food wholesale and retail	A PRC limited liability company which has around 100 to 499 employees and a PRC limited liability company which has less than 50 employees	RMB600,000,000 and RMB900,000,000, respectively	5	Branding services, online media advertising services	90 days/ telegraphic transfer	17,885 17.3
Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司)	Manufacture and sales of mattresses, sofas, sponge bedding, galvanized tiles and other furniture	A PRC limited liability company which has around 100 to 199 employees	RMB64,000,000	7	Branding services, traditional offline media advertising services, event execution and production services	1 week- 90 days/ telegraphic transfer	9,645 9.3
Customer B	Production and sales of beer, beverages, purified water, brewer's grains and related products	A PRC limited liability company which has around 1,000 to 1,999 employees	USD59,970,000	6	Branding services, traditional offline media advertising services, event execution and production services	1 week- 90 days/ telegraphic transfer	9,635 9.3

BUSINESS

Customer	Background and principal business	Scale of operation (<i>Note 1</i>)	Registered capital (<i>Note 1</i>)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Approximate % of our Revenue	total revenue
							(RMB'000)	%
Customer C	Production and sales of baijiu, health wine and Chinese medicine	A PRC limited liability company which has around 400 to 499 employees	RMB100,000,000	4	Branding services, event execution and production services	90 days/ telegraphic transfer	9,044	8.7
Customer D	Design, production and sales of three-wheeled motorcycles and electric vehicles	A PRC limited liability company which has around 900 to 999 employees	RMB101,010,100	8	Branding services, event execution and production services	90 days/ telegraphic transfer	7,859	7.6
Total							54,068	52.2

Notes:

1. The information in relation to the scale of operation and registered capital of our major customers was disclosed based on information publicly available and is for illustrative purposes only.
2. Customer A comprised a company established in the PRC with limited liability and its subsidiary.

BUSINESS

FY2021

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Revenue (RMB'000)	Approximate % of our total revenue
Customer E	Manufacture and sales of four-wheeled electric vehicles, on-site special vehicles, three-wheeled motorcycles, electric bicycles, electric motorcycles and accessories	A PRC limited liability company which has around 2,000 to 2,999 employees	RMB80,000,000	7	Event execution and production services, branding services	90 days/ Telegraphic transfer	8,730	5.5
Customer A (Note 2)	Medical technology development; disinfection products, chemical products, daily necessities, electronic products, cosmetics, biotechnology development, drug research and development, production, wholesale and retail; food, health products, health food wholesale and retail	A PRC limited liability company which has around 100 to 499 employees and a PRC limited liability company which has less than 50 employees	RMB600,000,000 and RMB900,000,000, respectively	5	Online media advertising services, branding services	90 days/ Telegraphic transfer	8,503	5.4
Customer F	Provision of medical aesthetics, plastic surgery, medical laboratory, medical imaging services	A PRC limited liability company which has around 100 to 199 employees	RMB5,000,000	6	Online media advertising services, branding services	90 days/ Telegraphic transfer	8,218	5.2
Customer D	Design, production and sales of three-wheeled motorcycles and electric vehicles	A PRC limited liability company which has around 900 to 999 employees	RMB101,010,100	8	Event execution and production services, branding services	90 days/ Telegraphic transfer	8,124	5.2

BUSINESS

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Revenue (RMB'000)	Approximate % of our total revenue
Customer B	Production and sales of beer, beverages, purified water, brewer's grains and related products.	A PRC limited liability company which has around 1,000 to 1,999 employees	USD59,970,000	6	Traditional offline media advertising services, online media advertising services, event execution and production services, branding services	1 week – 90 days/ Telegraphic transfer	7,788	4.9
Total							41,363	26.2

Notes:

1. The information in relation to the scale of operation and registered capital of our major customers was disclosed based on information publicly available and is for illustrative purposes only.
2. Customer A comprised a company established in the PRC with limited liability and its subsidiary.

FY2022

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Revenue (RMB'000)	Approximate % of our total revenue
Customer D	Design, production and sales of three-wheeled motorcycles and electric vehicles	A PRC limited liability company which has around 900 to 999 employees	RMB101,010,100	8	Branding services, online media advertising services, event execution and production services	90 days/ Telegraphic transfer	13,593	6.6

BUSINESS

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Revenue	Approximate % of our total revenue
							(RMB '000)	%
Customer A (Note 2)	Medical technology development; disinfection products, chemical products, daily necessities, electronic products, cosmetics, biotechnology development, drug research and development, production, wholesale and retail; food, health products, health food wholesale and retail	A PRC limited liability company which has around 100 to 499 employees and a PRC limited liability company which has less than 50 employees	RMB600,000,000 and RMB900,000,000, respectively	5	Branding services, online media advertising services, event execution and production services	90 days/ Telegraphic transfer	12,804	6.2
Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司)	Manufacture and sales of mattresses, sofas, sponge bedding, galvanized tiles and other furniture	A PRC limited liability company which has around 100 to 199 employees	RMB64,000,000	7	Event execution and production services, branding services, online media advertising services	90 days/ Telegraphic transfer	10,126	4.9
Customer E	Manufacture and sales of four-wheeled electric vehicles, on-site special vehicles, three-wheeled motorcycles, electric bicycles, electric motorcycles and accessories	A PRC limited liability company which has around 2,000 to 2,999 employees	RMB80,000,000	7	Event execution and production services, branding services	90 days/ Telegraphic transfer	9,529	4.6

BUSINESS

Customer	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided by us	Credit terms and payment method	Revenue	Approximate % of our total revenue
							(RMB '000)	%
Customer G	Manufacture and sales of drugs, dietary supplement, drinks and food	A PRC limited liability company which has around 500 to 599 employees	RMB153,398,600	4	Event execution and production services, branding services, online media advertising services	90 days/Telegraphic transfer and bank's acceptance bill	9,366	4.6
Total							55,418	26.9

Notes:

1. The information in relation to the scale of operation and registered capital of our major customers was disclosed based on information publicly available and is for illustrative purposes only.
2. Customer A comprised a company established in the PRC with limited liability and its subsidiary.

For FY2020, FY2021 and FY2022, revenue generated from our largest customer 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 during the Track Record Period.

During the Track Record Period, the Group did not face any loss of its top five customers.

Overlapping of Customers and Suppliers

During FY2022, one of our customers was also our supplier in the same year (the “**Overlapping Customer and Supplier**”). To our Directors’ knowledge, such Overlapping Customer and Supplier is an integrated service provider in Hubei engaging in planning of marketing events, advertisement agency and placement services. Since December 2020, the Overlapping Customer and Supplier has been our supplier providing (i) online media advertising services for placing advertisements on different online media platforms; and (ii) marketing event execution services. In May 2022, we entered into a framework agreement with it for advertisement placements on the online media platforms of the Media Supplier under our provision of advertisement placement services. Negotiations of the terms of our sales to and

BUSINESS

purchases from the Overlapping Customer and Supplier were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from the Overlapping Customer and Supplier were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis. The revenue from the Overlapping Customer and Supplier for FY2020, FY2021 and FY2022 was nil, nil and RMB0.8 million, respectively, accounting for nil, nil and 0.4% of our total revenue for the respective year. The cost of services attributable to the Overlapping Customer and Supplier for FY2020, FY2021 and FY2022 was nil, RMB0.7 million and RMB0.3 million, respectively, accounting for nil, 0.7% and 0.3% of our total cost of services, respectively, for the respective year. Since we provided advertisement placement services to the Overlapping Customer and Supplier for FY2022, we recognised such revenue from the Overlapping Customer and Supplier on net basis, and thus the gross profit margin generated from the revenue from the Overlapping Customer and Supplier for FY2022 was 100%. For the details of the basis of the revenue recognition from the provision of advertisement placement services and rebates from the media partner on net basis, please refer to the section headed “Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue” in this document.

BUSINESS

Agreements with our customers

We generally contract with our customers on a project basis for each engagement. For certain customers who have a long-term business relationship with us, we also enter into framework agreements with them for a fixed term of 12 months to 30 months. The framework agreements only record our intention to engage with each other for branding, advertising and event execution and production services. For each individual project, we will enter into separate contract with our customers covering other material terms, such as the nature and scope of services, consideration and payment terms.

Salient terms of the framework agreements and individual contracts we entered into with our customers for each service type are summarised as follows:

	Traditional offline media advertising services	Online media advertising services	Event execution and production services
Contract period	Framework agreement: A fixed term of 12 months to 30 months.		
	Individual contracts: A fixed term of not more than 12 months depending on the project.		
Consideration	A fixed consideration is stipulated in the individual contract in respect of each project.		
Payment terms	Framework agreement: Payment term is stipulated in the individual contract in respect of each project.	Framework agreement: Payment term is stipulated in the individual contract in respect of each project.	Framework agreement: Payment term is stipulated in the individual contract in respect of each project.
	Individual contracts: Generally by several instalments upon signing of the contract and upon completion of key stages of the project.	Individual contracts: Generally by monthly instalments upon signing of the contract.	Individual contracts: Generally by several instalments upon signing of the contract and upon completion of key stages of the marketing event.

BUSINESS

	Branding services	Traditional offline media advertising services	Online media advertising services	Event execution and production services
Scope of services:	(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 marketing and brand promotion plans	(i) Identifying the appropriate media mix; (ii) preparing the advertising proposal; (iii) sourcing of advertising resources; (iv) arranging and supervising the placement of advertisements; and (v) evaluation of the advertisements’ effectiveness	(i) Assisting our customers to identify and select the relevant online advertising resources suppliers; (ii) analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms; and (iii) offering suggestions on the forms of online advertisements and the types of online platforms	(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 campaigns; and (v) evaluating the effectiveness of the marketing campaigns

Termination In general, neither of the party is entitled to terminate the agreement unilaterally. If a party is in breach of the agreement and/or the relevant laws and regulations, the other party is entitled to demand liquidated damages of up to 20% of the total consideration and/or other uncovered damages (including but not limited to economic loss, legal fees and notarisation fees etc.).

For details of the salient terms of the framework agreements we entered into with our customers for provision of advertisement placement services, please refer to the paragraph headed “Our principal business – Provision of advertisement placement services” in this section.

BUSINESS

We are subject to the Advertising Law of the PRC (中華人民共和國廣告法) for our advertising services. As advised by our PRC Legal Advisers, pursuant to the Advertising Law of the PRC, advertisements shall not contain any false or misleading information, and shall not deceive or mislead consumers. Advertising agents including us shall, in accordance with laws and administrative regulations, examine and verify the content of the advertisements. Our media operation department will examine the content of the advertisement to ascertain if the content of the advertisement contains any false or misleading information. After the review by our media operation department, the content of the advertisement will also be reviewed and approved by the general manager of our Group before they can be published.

BUSINESS

SUPPLIERS

During the Track Record Period, we generally liaised with research institutes for industry data and sourced advertising resources from advertising resources providers and 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. As certain advertising agents may establish stronger relationships with certain advertising resources providers or possess some specific advertising resources or some advertising resources which require minimum purchase requirements, we engage these advertising agents as our suppliers while some of these advertising agents may also source advertising resources from us for their customers, which is consistent with the industry practice according to Frost & Sullivan. As certain third-party service providers may possess the specific expertise, resources, networks and experiences relevant to certain industries and demand of certain specific services, we may also engage other third-party service providers including production house to produce advertisements and public relations companies to execute the marketing campaigns and other public relations activities under our instructions and supervision, which is consistent with the industry practice according to Frost & Sullivan.

We generally select our suppliers based on factors such as price, quality of the services provided, proven track record, our past experience with them, its media resources and its influence in the advertising industry. We have maintained a list of qualified suppliers to ensure availability and quality of our supplies of resources and services. We conduct evaluation of our suppliers on a regular basis, taking into account the quality of its services and media resources, including whether it could implement the broadcasting requirements in accordance with the contract terms, whether its schedules of broadcasting is reasonable, whether the broadcastings meet our quality standard, whether issues can be dealt with immediately and whether it would actively cooperate with our follow-up requests. During the Track Record Period, we did not experience any material shortage or delay of supply due to defaults of our suppliers.

BUSINESS

The following tables set forth the details of our five largest suppliers in each year during the Track Record Period:

BUSINESS

FY2020

<u>Supplier</u>	<u>Background and principal business</u>	<u>Scale of operation (Note 1)</u>	<u>Registered capital (Note 1)</u>	<u>Years of business relationship with us</u>	<u>Principal services provided to us</u>	<u>Credit terms and payment method</u>	<u>Cost of services provided by suppliers</u> <i>(RMB'000)</i>	<u>Approximate % of our total cost of services provided by suppliers</u> %
Supplier A	Brand management, advertisement marketing planning and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB10,000,000	6	Execution of events and activities, placement of online advertisements	90 days/ telegraphic transfer	13,538	23.9

BUSINESS

Supplier	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided to us	Credit terms and payment method	Cost of	Approximate
							provided by suppliers	% of our total cost of services provided by suppliers
							(RMB'000)	%
Supplier B	Higher education, undergraduate, master and doctoral degree education, post-doctoral training and related scientific research as well as continuing education, professional training, academic exchanges and technology consulting	A PRC university which has over 5,000 employees	RMB1,250,490,000	5	Provision of research data and analysis	60-90 days/ telegraphic transfer	7,918	13.9
Fujian Lu Wang Cultural Communication Company Limited (福建省路網文化傳播有限公司)	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB10,000,000	3	Execution of events and activities, placement of TV advertisements, provision of brand visual design services	90 days/ telegraphic transfer	6,860	12.1
Wuhan First Class Cabin Technology Company Limited (武漢頭等艙科技股份有限公司)	Research and development and sales of computer software, hardware, and electronic product and the provision of online one-stop marketing solutions	A PRC limited liability company which has less than 50 employees	RMB1,000,000	3	Provision of research data and analysis, provision of brand visual design services	90 days/ telegraphic transfer	6,444	11.4

BUSINESS

Supplier	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided to us	Credit terms and payment method	Approximate	
							Cost of services provided by suppliers	% of our total cost of services provided by suppliers
							(RMB'000)	%
Hubei Changjiang Radio and Television Advertising Company Limited (湖北長江電廣告有限公司)	Production, agency and placement of advertisements	A PRC limited liability company which has around 100 to 199 employees	RMB20,000,000	9	Placement of TV and broadcast advertisements, provision of brand visual design services	Prepayment for advertisements and 90 days for brand services/ telegraphic transfer	3,865	6.8
Total							38,625	68.1

Note:

- The information in relation to the scale of operation and registered capital of our major suppliers was disclosed based on information publicly available and is for illustrative purposes only.

FY2021

Supplier	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided to us	Credit terms and payment method	Approximate	
							Cost of services provided by suppliers	% of our total cost of services provided by suppliers
							(RMB'000)	%
Fujian Lu Wang Cultural Communication Company Limited (福建省路網文化傳播有限公司)	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB10,000,000	3	Execution of events and activities, placement of TV advertisements, provision of brand visual design services	90 days/ telegraphic transfer	9,874	10.4

BUSINESS

Supplier	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided to us	Credit terms and payment method	Cost of services provided by suppliers (RMB'000)	Approximate % of our total cost of services provided by suppliers %
Supplier B	Higher education, undergraduate, master and doctoral degree education, post-doctoral training and related scientific research as well as continuing education, professional training, academic exchanges and technology consulting	A PRC university which has over 5,000 employees	RMB1,250,490,000	5	Provision of research data and analysis	60 – 90 days/ telegraphic transfer	9,593	10.2
Supplier C	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company. Information about the number of employees is not publicly available	RMB5,000,000	2	Execution of events and activities, placement of TV advertisements, provision of brand visual design services	90 days/ telegraphic transfer	7,790	8.2
Supplier D	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB2,000,000	2	Execution of events and activities, placement of TV advertisements, provision of brand visual design services	90 days/ telegraphic transfer	7,734	8.2
Supplier E	Design, production, and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB5,010,000	2	Execution of events and activities, provision of brand visual design services	90 days/ telegraphic transfer	7,292	7.7
Total:							42,283	44.7

Note:

- The information in relation to the scale of operation and registered capital of our major customers was disclosed based on information publicly available and is for illustrative purposes only.

BUSINESS

FY2022

<u>Supplier</u>	<u>Background and principal business</u>	<u>Scale of operation (Note 1)</u>	<u>Registered capital (Note 1)</u>	<u>Years of business relationship with us</u>	<u>Principal services provided to us</u>	<u>Credit terms and payment method</u>	<u>Cost of services provided by suppliers</u>	<u>Approximate % of our total cost of services provided by suppliers</u>
							<i>(RMB'000)</i>	<i>%</i>
Wuhan Xing Pei Technology Company Limited (武漢星裴科技有限公司)	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB3,000,000	1	Execution of events and activities, placement of online and offline advertisement	90 days/ Telegraphic transfer	8,988	9.4
Fujian Lu Wang Cultural Communication Company Limited (福建省路網文化傳播有限公司)	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company which has less than 50 employees	RMB10,000,000	3	Placement of online advertisements, provision of brand visual design services, execution of events and activities	90 days/ Telegraphic transfer	8,393	8.8
Supplier B	Higher education, undergraduate, master and doctoral degree education, post-doctoral training and related scientific research as well as continuing education, professional training, academic exchanges and technology consulting	A PRC university which has over 5,000 employees	RMB1,250,490,000	5	Provision of research data and analysis	90 days/ Telegraphic transfer	7,918	8.3

BUSINESS

Supplier	Background and principal business	Scale of operation (Note 1)	Registered capital (Note 1)	Years of business relationship with us	Principal services provided to us	Credit terms and payment method	Approximate % of our total cost of services provided by suppliers (RMB'000)	Approximate % of our total cost of services provided by suppliers (%)
Wuhan First Class Cabin Technology Company Limited (武漢頭等艙科技股份有限公司)	Research and development and sales of computer software, hardware, and electronic product and the provision of online one-stop marketing solutions	A PRC limited liability company which has less than 50 employees	RMB1,000,000	3	Provision of research data and analysis, provision of brand visual design services, placement of online advertisements	90 days/ Telegraphic transfer	7,689	8.0
Supplier C	Design, production and publication of advertisements and organisation of activities	A PRC limited liability company. Information about the number of employees is not publicly available	RMB5,000,000	2	Execution of events and activities, placement of online advertisements	90 days/ Telegraphic transfer	7,259	7.6
Total							40,247	42.1

Note:

- The information in relation to the scale of operation and registered capital of our major suppliers was disclosed based on information publicly available and is for illustrative purposes only.

BUSINESS

For FY2020, FY2021 and FY2022, the cost of services provided by our largest supplier 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. Cost of services provided by our five largest suppliers in each year during the Track Record Period 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. 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 suppliers in each year during the Track Record Period.

Agreements with our suppliers

We generally contract with our suppliers on a project basis. For certain suppliers in traditional offline media advertising and online media advertising, we entered into framework agreements with them for a term of six months to 22 months to record our intention to cooperate with each other. In such case, details of other contract terms such as type and quantity of the advertising resources, consideration and payment terms are generally stipulated in separate contract for each engagement.

BUSINESS

Salient terms of the contracts we entered into with our suppliers for each service type provided to us are summarised as follows:

	Branding services (Note 1)	Traditional offline media advertising services	Online media advertising services	Event execution and production services
Contract period	A fixed term from two months to ten months.	A fixed term from 12 days to 12 months.	A fixed term from two days to 12 months.	Generally no fixed term depending on the specific project.
Services procured	Market research and industry data analysis and design of various branding materials.	Advertising resources on various platforms, such as TV station operators, and outdoor platforms.	Advertising resources on various platforms, such as operators and/or owners of websites, search engines, social media and e-commerce platforms.	Corporate video shooting and production services, construction and decoration services and implementation of the event marketing campaigns.
Consideration	A fixed consideration is stipulated.	A fixed consideration is stipulated. (Note 2)	A fixed consideration is stipulated. (Note 2)	A fixed consideration is stipulated.
Payment terms	Generally payable by instalments upon signing of the contract and upon execution.	Generally payable prior to each month with scheduled broadcast.	Generally payable monthly or before completion of the advertising services.	Generally payable by instalments upon signing of the contract and upon execution.

BUSINESS

	Branding services (Note 1)	Traditional offline media advertising services	Online media advertising services	Event execution and production services
Termination	In general, a party is entitled to terminate the contract in the event that the other party is in breach of the contract.	In general, a supplier is entitled to terminate the contract in the event that we are in breach of the contract.	In general, a supplier is entitled to terminate the contract in the event that we are in breach of the contract.	In general, a party is entitled to terminate the contract in the event that the other party is in breach of the contract. In the event that the supplier terminates the agreement unilaterally, such supplier is liable to pay damages of 20% of the consideration as damages, and to further compensate us against any actual losses incurred additionally.
Minimum purchase amount	Nil.	Nil.	Nil.	Nil.

Notes:

1. As part of our branding services and upon request by our customers, we may assist our customers in producing the advertisements materials, such as corporate videos and photos. In such event, we generally engage third-party service providers in producing the relevant advertisement materials under our supervision.
2. Given that we generally adopt a cost-plus pricing approach in charging our service fees for traditional offline media advertising services and online media advertising services, we consider that a fixed amount of service fee charged by our suppliers would enable us to better determine our service fee based on more accurate estimation of our costs and the budget of our customers. According to Frost & Sullivan, such pricing model and the fixed amount of service fees charged by our suppliers are in line with the industry norm.

For details of the salient terms of the framework agreements we entered into with the Media Supplier for provision of advertisement placement services, please refer to the paragraph headed “Our principal business – Provision of placement services” in this section.

BUSINESS

We also entered into framework agreements with a TV station and online media resources providers to procure media resources for our advertising services. Salient terms of such framework agreements are summarised as follows:

Contract period	six to 22 months
Services/advertising resources provided	Place advertisements on the platforms provided by the TV station operators and online media resources providers including but not limited to TV channels, websites, and mobile applications
Payment terms	Payment terms to be stipulated in the separate contract in respect of each project. During the Track Record Period, we were generally granted a credit period of up to 90 days
Termination	In general, a party is entitled to terminate the agreement when the other party is in breach of the agreement

COLLABORATION WITH RESEARCH INSTITUTES

To improve the comprehensiveness and credibility of the market research and industry data analysis provided to our customers, we have engaged certain research institutes, including two renowned universities with market research expertise in Central China, in conducting market research on related industries for our customers, which is in line with the market practice of the branding service providers in the PRC according to Frost & Sullivan.

The aforesaid renowned universities which we had engaged during the Track Record Period for conducting market research for our branding services included the following:

- (i). a comprehensive research university established in 2000 in Wuhan, Hubei Province of the PRC with more than 1,200 professors and 55,000 students and a registered capital of approximately RMB1.2 billion, and provides higher education, undergraduate, master and doctoral degree education, post-doctoral training and related scientific research as well as continuing education, professional training, academic exchanges and technology consulting and has been ranked among the top 10 universities in China in the major domestic rankings publication, including the Shanghai Ranking’s Academic Ranking of World Universities for 2022 (the “**University A**”); and
- (ii). a comprehensive research university established in 1928 in Wuhan, Hubei Province of the PRC with more than 1,400 professors and 59,000 students, and has expertise in various academic disciplines and has been ranked among the top 10 universities in China in the Shanghai Ranking’s Academic Ranking of World Universities for 2022.

To record our long-standing collaboration, on 25 June 2017, we have entered into a legally binding strategic cooperation agreement with University A for a fixed term of five years from June 2017 to June 2022. We entered into a new strategic cooperation agreement with University A on 25 June 2022 to extend the term of cooperation from June 2022 to June 2025. Pursuant to such strategic cooperation agreement, it was agreed, among others, that where we initiate cooperative research projects in relation to the operation and development of the branding, advertising and marketing solution industry based on our business needs, University A will assign its professors and students to participate in those research projects under the leadership of our R&D staff. For FY2020, FY2021 and FY2022, we incurred research costs payable to University A of approximately RMB7.9 million, RMB9.6 million and RMB7.9 million, respectively, which was passed on to our customers in our service fees.

BUSINESS

In general, upon request of our customers, we will engage certain research institutes to conduct market research and industry data analysis for the information required in devising and formulating a comprehensive service proposal for our customers. We typically enter into separate contract with these research institutes for each engagement and salient terms of such contract are set out below:

Contract term:	A fixed term from two months to 12 months depending on the specific requirements of the project.
Service provided:	Conduct market research and industry data analysis in accordance with the required methodology and prepare the relevant research report.
Consideration:	A fixed consideration from approximately RMB40,000 to RMB1.3 million during the Track Record Period.
Payment terms:	Generally payable by instalments upon (i) signing of the contract; (ii) completion of key stages; and (iii) our acknowledgement of the completion of the market research report.
Intellectual property rights and confidentiality:	Intellectual property rights of the market research report, including all underlying sources of information, analysis and conclusions (collectively, the “ Subject Information ”), belong to the research institutes. Nonetheless, during the confidentiality period (which generally ranging from three to five years), the research institutes are prohibited from providing the Subject Information to third parties in return of profits.
Termination:	We are entitled to terminate the contract and demand for damages calculated at an agreed percentage of up to 20% of the consideration if: (i) the research institutes fail to complete the market research report within an agreed period; or (ii) the research institutes fail to complete the market research report in accordance with the agreed requirements and/or standards.

With the increasing demand from brand owners, advertisers and advertising agents to engage our Group for tailor-made branding, advertising and marketing solution services during the Track Record Period, we have joined force with the Journalism and Information Communication School of a renowned university with market research expertise in Central China in 2020 to establish Donghu Brand Institute* (東湖品牌研究院), which is jointly led by the associate dean and professor of the cooperated university together with the senior management of the Group, supported by experienced professional specialising in media and communication, industry experts, entrepreneurs, branding executives and scholars from renowned universities. As at the Latest Practicable Date, Donghu Brand Institute served as a

BUSINESS

knowledge hub dedicated for providing useful resources, information and updates on various branding and marketing related topics such as the latest industry trend for brand building and marketing innovation using digital technologies and the interrelationships between the sales performance and multi-dimensional branding, advertising and marketing strategies. Our Directors believe that our continued collaboration with a renowned university with market research expertise in Central China and the establishment of Donghu Brand Institute will enhance our market research capability and improve our brand awareness in front of our customers which will further improve our efficiency in attracting potential customers and providing our services.

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;

BUSINESS

- 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;
- 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 thus 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 remain resilient and 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

BUSINESS

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 Strategies” in this section 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.

RESEARCH AND DEVELOPMENT

Our data analytical capabilities are crucial to our business operation, as our tailor-made service proposals relied, among others, on industry data and marketing information analysis. Therefore, we are committed to continually enhancing and innovating our services, solutions and technologies. Our R&D process primarily involves conducting market research and analysis, technical maintenance and software and information technologies development with the goal of improving the efficiency of our branding, advertising and event execution and production services. We utilised our own employees and engage third-party research institutes for R&D work.

Our R&D department is headed by Mr. Chen Cong (陳聰先生) who obtained a bachelor of electronic information engineering from the Wuhan Textile University. We had a dedicated R&D team consisting of 17 technical personnel as at 31 December 2022 with an average work experience of over five years. More than half of our R&D staff members hold college degrees or above.

As at the Latest Practicable Date, we had registered 83 computer software copyrights in the PRC which we believe not only have enhanced our ability to optimise our existing services, but also improved internal communication process, service process, and work efficiency. For further information relating to our material computer software copyrights, please refer to the section headed “Statutory and General Information – 6. Further Information about our Business – B. Our Intellectual Property Rights” in Appendix IV to this document.

We entered into confidentiality agreements with our employees. We also outsourced certain R&D projects to third-party research institutes during the Track Record Period. When deciding whether to outsource a particular project to third-party research institutes or undertake

BUSINESS

the project internally, we primarily consider whether outsourcing the project would lead to higher efficiency and lower cost considering the nature of the project, our own capacities and the qualifications of the third-party research institutes. We also entered into agreements with such research institutes typically provided for confidentiality clauses under which such research institutes are not allowed to disclose project related information to others within a certain period of time.

BUSINESS

Our R&D expenses were RMB4.7 million, RMB10.8 million and RMB17.5 million for FY2020, FY2021 and FY2022, representing approximately 4.5%, 6.9% and 8.5% of our total revenue, respectively.

During the Track Record Period, as we mainly relied on third-party research institutes, industry consultants and marketing agencies to conduct market research and provide us with the relevant industry data and marketing information based on the specific business needs and marketing objectives of our customers, the data and information obtained by the Group were project specific and generally had smaller coverage focusing on limited types of industry segments. After [REDACTED], we plan to establish our branding data platform and R&D database in order to further enhance our service offering particularly in branding business and strengthen our data analytical capabilities, thereby increasing our customer stability and market competitiveness.

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 RMB1,538.0 billion by the end of 2027. Although there are a limited number of integrated branding, advertising and marketing solution service providers in Central China (i.e. approximately 20), there are approximately 180 integrated branding, advertising and marketing solution service providers in China. The major entry barriers of the integrated branding, advertising and marketing solution service market in the PRC include, among others, the demand of strong capabilities in integrating diversified services and various media resources across the value chain, database of different industries and strong data analytical capability to conduct market research and service proposals, and sufficient experience and high brand reputation with the long-term accumulation of proven track record.

We believe that the demand for integrated branding, advertising and marketing solution services in the PRC will continue to grow. According to Frost & Sullivan, along with the rapid development of PRC’s advertising market and the emergence of diversified advertising media including TV advertising, outdoor advertising and online advertising, advertisers have higher requirements for tailored branding and marketing proposals which can satisfy their specific requirements such as marketing objective, evaluation of advertising results and budget. Riding on our market position as a branding, advertising and marketing solution service provider in Hubei Province, our Directors believe that we are well positioned to capture the growing demand in the integrated branding, advertising and marketing solution service industry in the PRC.

Our Directors believe that given our competitive strengths as set out in the subsection headed “– Our Competitive Strengths” in this section, we are able to maintain our position in the integrated branding, advertising and marketing solution service market in Hubei Province, the PRC. For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry Overview” in this document.

BUSINESS

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY MATTERS

Due to the nature of our business, we are not subject to any significant risks relating to environmental or occupational health and safety. As confirmed by our PRC Legal Advisers, we had not been subject to any fines or penalties due to non-compliance with laws or regulations relating to environmental protection or occupational health and safety in any material respect during the Track Record Period and up to the Latest Practicable Date.

QUALITY CONTROL

To ensure the quality of our services, we have established and maintained stringent quality control, assurance standards and inspection procedures at each critical step of our service delivery. In line with the nature of advertising industry, we carry out periodic monitoring and evaluations from planning, production and execution. Our media operation team is responsible for the periodic monitoring and ensuring that the advertisements and events are executed in accordance with our customer's instructions. For example, we will review summary report and carry out random inspection of advertising plan. To continuously enhance the provision of our branding, advertising and marketing solution services, we regularly review our performance by collecting feedbacks from our customers and suppliers as well as monitoring public responses for evaluation and marketing strategy formulation purposes. If there is any complaint or specific demand from our customers, our sales and business operation department will communicate with the relevant customers to understand and remedy the issue. During the Track Record Period, our Group did not receive any complaint from our customers which had materially and adversely affected our business nor did our Group pay any material compensation to our customers as a result of any complaint from our customers.

Customers in certain industries, such as healthcare products and pharmaceuticals and medical equipment, and other advertisement subject to review, by relevant government authorities are required to submit their advertisements to the relevant government authorities for examination prior to the broadcasting. As part of our services and to ensure the advertisements are in compliance with the applicable laws and regulations, we will request our customers to provide the relevant certification documents and permits issued by the relevant government authorities for checking, and forward the same to our suppliers for further examination.

BUSINESS

AWARDS

As at the Latest Practicable Date, we had received the following key awards and recognitions relating to our business operation:

Year of Grant	Awardee	Award/Certification/Ranking	Issuing Authority
2022	Huashi Media	2022 Provincial 4th Batch Specialized, Sophisticated, Special and New Little Giant Enterprise* (2022年省級第四批專精特新小巨人企業)	Department of Economy and Information Technology of Hubei Province* (湖北省經濟和信息化廳)
2021	Huashi Media	China International Advertising Festival: 2021 Golden Partner Advertiser Award* (中國國際廣告節廣告主獎•2021年度金夥伴獎)	Committees of the China International Advertisement Fair and the Advertiser Award* (中國國際廣告節AD Fair組委會及廣告主獎組委會)
	Huashi Media	China Level One Advertising Company Media Service* (中國一級企業「媒體」服務類)	China Advertising Association* (中國廣告協會)
	Huashi Media	Provincial Specialized, Sophisticated, Special and New Little Giant Enterprise* (省級專精特新小巨人企業)	Department of Economy and Information Technology of Hubei Province* (湖北省經濟和信息化廳)
2020	Huashi Media	China International Advertising Festival: 2020 Golden Partner Advertiser Award* (中國國際廣告節廣告主獎•2020年度金夥伴獎)	Committees of the China International Advertisement Fair and the Advertiser Award* (中國國際廣告節AD Fair組委會及廣告主獎組委會)
	Huashi Media	High and New Technology Enterprise Certificate* (高新技術企業證書)	Science and Technology Department of Hubei Province* (湖北省科學技術廳), Department of Finance of Hubei Province* (湖北省財政廳) and Hubei Province National Tax Bureau* (國家稅務總局湖北省稅務局)

BUSINESS

Year of Grant	Awardee	Award/Certification/Ranking	Issuing Authority
	Huashi Media	China Level One Advertising Company: Media Service* (中國廣告一級企業「媒體」服務類)	China Advertising Association* (中國廣告協會)
	Huashi Media	Enterprise Credit Rating AAA Credit Enterprise* (企業信用評級AAA級信用企業)	China Business Integrity Public Service Platform* (中國商務誠信公共服務平台)
2018	Huashi Media	Macau International Advertising Festival: 2017-2018 Most Influential Communication Company* (澳門國際廣告節 2017-2018年度中國最具影響力 傳播公司)	Organizer Committee of Macau International Advertising Festival* (澳門 國際廣告節組委會)

BUSINESS

Year of Grant	Awardee	Award/Certification/Ranking	Issuing Authority
2017	Huashi Media	High and New Technology Enterprise Certificate* (高新技術企業證書)	Science and Technology Department of Hubei Province* (湖北省科學技術廳), Department of Finance of Hubei Province* (湖北省財政廳), Hubei Province National Tax Bureau* (湖北省國家稅務局) and Hubei Province Local Tax Bureau* (湖北省地方稅務局)
	Huashi Media	Macau International Advertising Festival: 2016-2017 The Most Branded Advertising Communication Company in Mainland China* (澳門國際廣告節2016-2017年度中國內地最具品牌力廣告傳播公司)	Organizer Committee of Macau International Advertising Festival (澳門國際廣告節組委會)
2016	Huashi Media	Strategic Cooperation Partner of the “Five Star Alliance”* (“五星聯盟”戰略合作夥伴)	Guangdong Weishi* (廣東衛視), Henan Weishi* (河南衛視), Hubei Weishi* (湖北衛視), Liaoning Weishi* (遼寧衛視) and Sichuan Weishi* (四川衛視)

LICENCES, PERMITS AND APPROVALS

The regulatory and legal systems of the integrated branding, advertising and marketing solution service market in the PRC are set out in the section headed “Regulatory Overview” in this document. As at the Latest Practicable Date, we have obtained the following licences for our business operations:

Licence	Holder	Issuing authority	Date of issue	Date of expiration
Business licence	Huashi Brand Management	Wuhan Wuchang Administration for Market Regulation* (武漢市武昌區市場監督管理局) (“Wuchang AMR”)	7 April 2021	31 March 2046

BUSINESS

Licence	Holder	Issuing authority	Date of issue	Date of expiration
Business licence	Huashi Media	Wuchang AMR	23 February 2011	N/A ^(Note)
Business licence	Wuyuan Fujie	Beijing Chaoyang Administration for Market Regulation* (北京市朝陽區市場監督管理局)	5 February 2018	4 February 2038
Business licence	Dabieshan Culture	Macheng Administration for Market Regulation* (麻城市市場監督管理局)	7 April 2017	6 April 2037
Business licence	Huashi Chuangxiang	Wuhan Wuchang Bureau of Administrative Examination and Approval* (武漢市武昌區行政審批局)	26 December 2012	N/A ^(Note)

Note: As advised by our PRC Legal Advisers, a “N/A” for a business licence means that it does not impose a time limit on the operation period of a company for so long as the company remains in good standing and compliance with the relevant PRC laws and regulations.

As advised by our PRC Legal Advisers, we have obtained all the requisite licences, permits and approvals necessary to conduct our business operations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material respects.

During the Track Record Period, we have not encountered any difficulty or rejection in obtaining or renewing the requisite licences, permits and approvals necessary to conduct our business operations. Our Directors and our PRC Legal Advisers are of the view that, provided we comply with the then applicable laws and regulations and submit all the documentation required in a timely manner and taken all proper administrative steps, there will be no substantial legal impediment for us to renew all such licences, permits and approvals in the future for our business operations in the PRC.

BUSINESS

EMPLOYEES

As at 31 December 2022, we had a total of 170 full-time employees, all of which are stationed in the PRC. The table below sets out a breakdown of our full-time employees by functions:

	As at 31 December 2022
Strategic formulation (企劃部)	72
Sales and business operation (銷售業務部)	27
Media operation (媒介部)	27
R&D (技術研發部)	17
Finance and accounting (財務部)	13
Administration and human resources (行政人事部)	9
Management (總經辦)	5
Total	170

Labour contract, remuneration and welfare contribution

We enter into a standard employment contract with each of our full-time employees with terms covering, among other things, position, salaries, employment term, working hours, leave arrangements and other benefits. The remuneration package we offered to our employees includes basic salary and discretionary bonuses. In general, we determine our employees' salaries based on, amongst others, their qualifications, seniority, working hours, performance, our financial performance and market wages. We generally review the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions annually. For FY2020, FY2021 and FY2022, our total staff costs were approximately RMB8.1 million, RMB11.5 million and RMB14.8 million, respectively.

In accordance with relevant national and local social welfare laws and regulations in the PRC, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, unemployment insurance, occupational injury insurance, medical insurance, maternity insurance and housing provident fund. We have complied with the applicable labour laws and regulations in all material respects in respect of statutory welfare or mandatory contributions required of us as an employer in the PRC where we had business operations during the Track Record Period and up to the Latest Practicable Date. For further details on applicable labour laws and regulations of the PRC, please refer to the section headed “Regulatory Overview – PRC Laws and Regulations on Labour Protection” in this document.

BUSINESS

Recruitment policy and training

We recruit additional personnel upon receiving requests from the department heads or his/her authorised personnel of our Group. We generally recruit our employees by, among others, posting job recruitment notices on recruitment websites. We evaluate the suitability of the applicants with reference to factors such as their work experience, technical skills and qualifications.

We provide training for our employees to enhance their knowledge, skills and capability relevant to the advertising industry. All of our new hires will be provided with an induction training to familiarise themselves with our Group, followed by on-the-job training based on departmental needs and our business development strategies. We also provide promotion opportunities for capable and suitable employees as we have policies and procedures setting out the assessment criteria for promotion.

Employee relations

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disruption to the operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of staff. We believe that our relationship with our employees is satisfactory and our management policies, working environment, career prospects and benefits extended to our employees have contributed to employee retention and the building of amicable employee relations.

INSURANCE

In addition to the mandatory social insurance we maintain for our employees, we maintain property insurance policies for our vehicles that cover losses and third-party liabilities arising from car accidents. Considering the practice in the industry and the insurance taken out by us, our Directors are of the view that we have maintained adequate insurance coverage for our assets and business operation. We will review and assess our risks and make necessary adjustments to our insurance coverage in line with our needs and industry practice in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had not made or been subject to any material claims under our insurance policies, and there was no insurance claim that had given or will give material impact on the insurance premiums to be paid by us in the future.

We have not maintained any insurance policies in respect of third-party liability claims on the advertisements placed by us for our customers. As advised by our PRC Legal Advisers, there is no mandatory requirements under the applicable laws and regulations of the PRC for advertisers or advertising services providers including us to maintain any insurance policies in respect of the aforesaid third-party liability claims. Further, according to Frost & Sullivan, it is also a industry norm that advertisers or advertising services providers including us generally do not maintain insurance policies in respect of such third-party liability claim.

BUSINESS

PROPERTY

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

As at the Latest Practicable Date, we had leased two properties for office use from Independent Third Parties in Hubei and were granted free use of three properties as our correspondence addresses in Hubei and Beijing by Independent Third Parties:

	Landlord	Location	Usage	Approximate gross floor area	Duration of tenancy	Annual rent (exclusive of disbursement)
1	Wuhan Wuchang Property Management Development Corporation* (武漢市武昌物業經營發展總公司) (“Wuchang Property”) (Note 1)	First Floor, Building 2, Aquatic Science and Technology Garden, No. 1 East Yard, Chagang New Village, Luojiashan, No. 7, Donghu South Road, Wuchang District* (武昌區東湖南路7號珞珈山茶港新村東院1號水生科技苑2棟第一層) (“Property 1”)	Office of Huashi Media in Wuhan	1,690 sq.m.	From 1 July 2021 to 30 June 2024	RMB1,788,696 for the first year, RMB1,877,928 for the second year and RMB1,971,216 for the final year
2	Zeng Junwen (曾俊文) and Yu Guilian (喻貴蓮)	147 West Ring North Road, Orchard Field, Macheng City* (麻城市果園場西環北路147號)	Office of Dabieshan Culture in Macheng	100 sq.m.	11 March 2021 to 11 March 2024	RMB10,000
3	Wuchang Property (Note 2)	No. 02, First Floor, Building 2, Aquatic Science and Technology Garden, No. 1 East Yard, Chagang New Village, Luojiashan, Wuchang District* (武昌區珞珈山茶港新村東院1號水生科技苑2棟第一層02號)	Correspondence address (Note 5)	100 sq.m.	From 1 July 2021 to 30 June 2024	Rent free (Note 2)
4	Wuchang Property (Note 3)	No. 07, First Floor, Building 2, Aquatic Science and Technology Garden, No. 1 East Yard, Chagang New Village, Luojiashan, Wuchang District* (武昌區珞珈山茶港新村東院1號水生科技苑2棟第一層07號)	Correspondence address (Note 5)	100 sq.m.	From 1 July 2022 to 30 June 2024	Rent free (Note 3)

BUSINESS

Landlord	Location	Usage	Approximate gross floor area	Duration of tenancy	Annual rent (exclusive of disbursement)
5 Beijing Hong Zhuo Information Technology Co., Ltd. (北京泓灼信息技術有限公司)	Room 147, 1/F Block B, Chuang Ye Development Centre, No. 12 Yu Shun Road, Gui Fa Town, Da Xing District, Beijing* (北京市大興區榆堡鎮榆順路12號創業發展中心B座一層147室)	Correspondence address (Note 5)	300 sq.m.	23 October 2022 to 22 October 2023	Rent free (Note 4)

Notes:

1. The Institute of Hydrobiology Chinese Academy of Science* (中國科學院水生生物研究所) is the owner of such property which was leased to Wuchang Property and agreed Wuchang Property to sub-lease the property to our Group.
2. This leased premises is a sub-unit of Property 1. Pursuant to the confirmation letter issued by Wuchang Property and Huashi Media dated 17 June 2021, it was agreed by Wuchang Property that Huashi Media can provide this leased premises to Huashi Chuangxiang for its correspondence address for free during the period from 1 July 2021 to 30 June 2024.
3. This leased premises is a sub-unit of Property 1. Pursuant to the confirmation letter issued by Wuchang Property and Huashi Media dated 1 July 2021, it was agreed by Wuchang Property that Huashi Media can provide this leased premises to Huashi Brand Management for its correspondence address for free during the period from 1 July 2022 to 30 June 2024.
4. A one-off payment of RMB12,000 was payable by our Group upon signing of the tenancy agreement. No rent was payable by our Group during the term of the lease.
5. During the Track Record Period and up to the Latest Practicable Date, we had no business operation nor any operating team members in such correspondence addresses.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant difficulty in renewing our leases in a timely manner. As at the Latest Practicable Date, we had not registered the leases relating to the office of Huashi Media in Wuhan, the office of Dabieshan Culture in Macheng and the office of Wuyuan Fujie in Beijing.

As advised by our PRC Legal Advisers, we have the right to use the leased properties according to the relevant lease agreements. As advised by our PRC Legal Advisers, non-registration of these leases will not affect the validity or enforceability of such leases, but we could be subject to a fine ranging from RMB1,000 to RMB10,000 in respect of each lease agreement that is not registered should we fail to effect the registration of the lease agreements upon request by the relevant authority. As at the Latest Practicable Date, we had not received any such request from the relevant government authorities, nor had we been fined by any regulatory authorities for non-registration of any of our lease agreements.

In addition, our Controlling Shareholders [have] executed a Deed of Indemnity in favour of our Group whereby they will indemnify each member of our Group against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Group as a result of, directly or indirectly or in connection with, the non-registration of these leased properties.

BUSINESS

INTELLECTUAL PROPERTY RIGHTS

We recognise the importance of protecting our intellectual property rights. We maintain registration of intellectual property rights that are material to our business operation under appropriate categories and in appropriate jurisdictions.

As at the Latest Practicable Date, we have registered one trademark in Hong Kong and one trademark in the PRC. In addition, we had registered 83 computer software copyrights in the PRC which are, in the opinion of our Directors, material to our business. We also registered one domain name, namely youmeimu.com. For further information relating to our intellectual property rights, please refer to the section headed “Statutory and General Information – 6. Further Information about our Business – B. Our Intellectual Property Rights” in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by our Group. Our Directors also confirmed that during the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, (i) we and our Directors were not a party to any material litigation, arbitration or administrative proceeding that could have a material adverse effect on our financial position or results of operations; and (ii) to the best of our knowledge, no such material litigation, arbitration or administrative proceedings have been threatened against us or any of our Directors.

NON-COMPLIANCE

Save for the non-compliance incidents described below, our PRC Legal Advisers have confirmed that we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

NEEQ Non-compliance Incidents

(1) Particulars of the non-compliance

Huashi Media provided short-term loans to its related parties (the “**Loan Advances**”), 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 (the “**Period of Advances**”), and did not make disclosure in a timely manner in relation to such continuing connected transactions (the “**Non-compliance Incidents**”).

BUSINESS

Details of the Loan Advances are set out below:

Date of advance	Total amount of funds borrowed (RMB) (Note 3)						
	By himself/herself			For and on behalf of Mr. Chen			
	Mr. Chen (Notes 1, 4, 6)	Ms. Xue (Notes 1, 5)	Ms. Xue (Notes 1, 6)	Mr. Wang Ming (王明) (Notes 1, 2, 6)	Mr. Zhang Feng (張烽) (Notes 1, 2, 6)	Ms. Cheng Xi (程茜) (Notes 1, 2, 6)	Mr. Chen Xudong (陳旭東) (Notes 1, 2, 6)
18 January 2016	-	20,000	-	-	-	-	-
2 February 2016	-	40,000	-	-	-	-	-
	82,000						
5 February 2016	(Note 7)	-	-	-	-	-	-
3 March 2016	-	-	-	-	-	-	10,000
7 March 2016	40,000	-	-	-	-	100,000	-
23 March 2016	50,000	-	-	-	-	-	-
	1,000,000						
24 March 2016	(Note 7)	-	-	-	-	-	-
1 April 2016	-	-	-	-	10,000	-	-
16 May 2016	-	-	-	10,000	-	-	-
26 May 2016	-	-	35,000	-	-	-	-
6 June 2016	35,000	-	-	-	-	-	-
8 June 2016	-	-	5,000	-	-	-	-
Total	1,207,000	60,000	40,000	10,000	10,000	100,000	10,000

Notes:

- (1) The total amount of loans advanced to Mr. Chen was RMB1,377,000, comprising (i) RMB1,207,000 advanced to him; and (ii) RMB170,000 advanced to him through Ms. Xue, Mr. Wang Ming, Mr. Zhang Feng, Ms. Cheng Xi and Mr. Chen Xudong. The total amount of loans advanced to Ms. Xue was RMB60,000.
- (2) Mr. Wang Ming was one of the then shareholders and directors of Huashi Media. Mr. Zhang Feng was the then shareholder and chairman of the supervisory committee of Huashi Media. Ms. Cheng Xi and Mr. Chen Xudong were the then employees of Huashi Media.
- (3) The Loan Advances were accounted as other receivables of Huashi Media at the time when each relevant drawdown was made.
- (4) Mr. Chen applied part of the Loan Advances to him of RMB1,172,000 in aggregate borrowed during the period from February 2016 to March 2016 to fund the purchase of a motor vehicle which would from time to time be rented to Huashi Media for free in connection with the business needs of Huashi Media. The Loan Advances in this regard were made to Mr. Chen in several tranches based on the negotiation progress for the purchase. The remaining part of the Loan Advances to him of RMB35,000 borrowed on 6 June 2016 was for the purchase of tobacco and alcohol as set out in note (6) below.
- (5) Ms. Xue applied the Loan Advances to her of RMB60,000 in aggregate for catering and alcohol and tobacco at a reception event in early 2016, which was organized at Ms. Xue’s own initiative, with certain then existing and potential customers of Huashi Media to facilitate the business development and network building with such existing and potential customers.
- (6) The relevant Loan Advances in aggregate amount of RMB205,000 (being the sum of RMB35,000 advanced to Mr. Chen and the RMB170,000 borrowed by Ms. Xue, Mr. Wang Ming, Mr. Zhang Feng, Ms. Cheng Xi and Mr. Chen Xudong on behalf of Mr. Chen) were applied for the expenses in connection with two occasions of reception events in April and July 2016 after Huashi Media became listed on the NEEQ. At the instructions of Mr. Chen, (i) Mr. Chen Xudong applied the Loan Advances for and on behalf of Mr. Chen of RMB10,000 for the purchase of alcohol; (ii) Ms. Cheng Xi applied the Loan Advances for and on behalf of Mr. Chen of RMB100,000 for the purchase of alcohol, tobacco and Chinese health food; (iii) Mr. Zhang Feng applied the Loan Advances for and on behalf of Mr. Chen of RMB10,000 for the purchase of alcohol; (iv) Mr. Wang Ming applied the Loan Advances for and on behalf of Mr. Chen of RMB10,000 for the purchase of Chinese health food; and (v) Ms. Xue applied the Loan Advances for and on behalf of Mr. Chen of RMB40,000 for catering and venue reservation for the reception events. Mr. Chen also applied the Loan Advances to him in the amount of RMB35,000 for the purchase of alcohol and tobacco. Such persons borrowed the relevant Loan Advances on Mr. Chen’s behalf to handle the above matters for Mr. Chen in the interest of time when Mr. Chen was busy with other commitments and instructed them to assist with the organization of the reception events from time to time.
- (7) The Loan Advances on 5 February 2016 were made to Mr. Chen in two tranches of RMB50,000 and RMB32,000. The Loan Advances on 24 March 2016 were made to Mr. Chen in two tranches of RMB500,000 each.

BUSINESS

The loans advanced to Mr. Chen in the amount of RMB1,377,000 were repaid in full in July 2016, while that advanced to Ms. Xue in the amount of RMB60,000 was repaid in full in March 2016. In August 2016, Mr. Chen and Ms. Xue paid interests on such loans in the amount of RMB6,811.99 and RMB324.1, respectively, which were determined based on the then prevailing bank lending rates.

In early 2016 after becoming listed on the NEEQ, in order to accommodate the future business needs and to strengthen its brand image so as to facilitate business development with its customers, Huashi Media was considering to purchase a luxury motor vehicle to chauffeur its customers. However, as the utilization of such motor vehicle would not be very frequent as it was not intended for daily client usage, and the price and other associated costs for the purchase of a luxury motor vehicle would be relatively high for Huashi Media at that time, it was not cost-efficient for Huashi Media to do so. On the other hand, Mr. Chen was of the view that such motor vehicle would be beneficial to Huashi Media for its brand building and business development with its customers, and it was decided in the end that Mr. Chen would purchase the motor vehicle by himself so that Huashi Media would not have to bear the purchase costs, and Mr. Chen would rent the motor vehicle to Huashi Media for free such that Huashi Media could use the motor vehicle for its business needs. Given that the motor vehicle was intended to be shared with Huashi Media for transportation purposes, Mr. Chen also wished to partly fund the purchase of the motor vehicle through loans from Huashi Media, and thus the Loan Advances in the aggregate amount of RMB1,172,000 were made during the period from February 2016 to March 2016 to Mr. Chen for the purchase.

Separately, around the same period, Huashi Media was considering the development of new business services in respect of branding services and online media advertising services, and wished to preliminarily explore the feasibility of and interest in such services with its suppliers, existing customers and potential customers. Accordingly, Huashi Media held two reception events in April and July 2016 with its suppliers, existing customers and potential customers to gather relevant feedback from them, and the Loan Advances in the aggregate amount of RMB205,000 made to or on behalf of Mr. Chen were applied for the entertainment expenses in connection with these two reception events. Ms. Xue, who was then also a director of Huashi Media and was assigned with the task of building business relationship and networking with customers of Huashi Media, also at her own initiative separately organized a reception event with the potential customers in early 2016, and the Loan Advances in the aggregate amount of RMB60,000 made to Ms. Xue were applied for the entertainment expenses in connection with such reception event.

Upon further review of these entertainment expenses, although they were for the business development of Huashi Media, Mr. Chen decided to take up the expenses incurred in connection with the two reception events held by Huashi Media by himself and not to claim such expenses against Huashi Media, as he noted that (i) they were mainly used for the purpose of exploring business opportunities; (ii) such business development initiatives were pre-mature in the sense that Huashi Media did not have any concrete plans in respect of the said new businesses at the relevant time; and (iii) Huashi Media did not record any revenue from the provision of branding services and online media advertising services for the year ended 31

BUSINESS

December 2016. Similarly, Ms. Xue decided to take up the expenses incurred in connection with the reception event organized by herself and not to claim such expenses against Huashi Media after discussing with Mr. Chen given that (i) it was Ms. Xue’s own initiative to organize such reception event; and (ii) in a similar vein such business development initiative was only for relationship building and there was no direct business engagement directly attributable to such reception event.

Accordingly, although the Loan Advances provided by the Group to Mr. Chen and Ms. Xue were mainly used for the transportation expenses and entertainment expenses which were also for the purpose of the business development and network building activities of Huashi Media, in order to protect the completeness, independence and safety of Huashi Media’s assets, funds and interests, Huashi Media classified the Loan Advances as short-term loans, and Mr. Chen and Ms. Xue were required to repay the Loan Advances and pay interest on such loans as determined based on the then prevailing bank lending rates.

The Loan Advances to Mr. Chen and Ms. Xue were subject to the articles of association of Huashi Media (the “**Huashi Articles**”), the Connected Transaction Management Measures (關聯交易管理辦法) of Huashi Media (the “**Connected Transaction Measures**”), the Business Rules of the NEEQ (for Trial Implementation) (全國中小企業股份轉讓系統業務規則(試行)) (the “**Business Rules**”) and the then effective Detailed Rules of the NEEQ on Information Disclosure of Listed Companies (for Trial Implementation) (全國中小企業股份轉讓系統掛牌公司信息披露細則(試行)) (the “**Disclosure Rules**”), with details as follows:

- (i) according to Article 40 of the Huashi Articles that was effective during Huashi Media’s listing on the NEEQ, Huashi Media shall not provide funds, goods, services or other assets to its shareholders or actual controllers free of charge or under obviously unfair conditions. The transaction of providing funds, goods, services or other assets between Huashi Media and its shareholders or actual controllers shall perform the deliberation procedures of the board meeting and general meeting in strict accordance with the decision-making system on connected transactions;
- (ii) according to Article 14 of the Connected Transaction Measures that was effective during its listing on the NEEQ, Huashi Media shall not provide loans to its directors, supervisors and senior management either directly or through any of its subsidiaries;
- (iii) according to Article 4.1.4 of the Business Rules, the controlling shareholders, actual controllers and other enterprises under their control shall effectively ensure the independence of NEEQ-listed companies, and shall not make use of their shareholder rights or actual control to directly or indirectly misappropriate the funds and assets of the NEEQ-listed companies through connected transactions, disbursements, guarantees and otherwise, and infringe the rights and interests of the NEEQ-listed companies and other shareholders; and

BUSINESS

- (iv) according to Article 46 of the then effective Disclosure Rules, in case of any fund appropriation by controlling shareholders, actual controllers or related parties, a NEEQ-listed company shall disclose within two business days from the date of occurrence.

Based on the above, as advised by our PRC Legal Advisers, the Loan Advances are considered to be Non-compliance Incidents due to the following reasons:

- (i) the provision of short-term loans by Huashi Media to Mr. Chen and Ms. Xue did not go through the internal approval procedures on connected transactions, which was not in compliance with the Huashi Articles;
- (ii) the provision of short-term loans by Huashi Media to Mr. Chen and Ms. Xue were not allowed under the Connected Transaction Measures, and led to the appropriation of Huashi Media’s funds by related parties, which was in breach of the Connected Transaction Measures and the Business Rules; and
- (iii) after occurrence of such fund appropriation, Huashi Media did not make disclosure in a timely manner, which was in breach of the then effective Disclosure Rules.

We became aware that the Non-compliance Incidents were in breach of the relevant PRC laws and regulations and internal rules and measures of Huashi Media in July 2016 during the preparation of the interim results of Huashi Media for the six months ended 30 June 2016 when we were informed of the breach by our sponsoring broker who was responsible for supervising Huashi Media to ensure its compliance with the rules of the NEEQ and timely disclosure of relevant information. Our sponsoring broker had also advised us on the rectification measures taken for the Non-compliance Incidents subsequent to the occurrence thereof.

Thereafter, on 19 August 2016, Huashi Media, its then controlling shareholders, actual controller, directors, supervisors and senior management, including Mr. Chen and Ms. Xue, made an undertaking (the “**Undertaking**”) as follows:

- (i) Huashi Media shall from the date of the Undertaking strictly regulate matters in accordance with the Huashi Articles and the applicable PRC laws and regulations to prevent the funds of Huashi Media and its subsidiaries from being appropriated by any related parties, and promptly perform any information disclosure obligations. In the event that Huashi Media and its subsidiaries become subject to any claims by third parties or any penalties imposed by the relevant authorities or the National Equities Exchange and Quotations Co., Ltd.* (全國中小企業股份轉讓系統有限責任公司) (“**NEEQ Co., Ltd.**”) as a result of any funds of Huashi Media and its subsidiaries being appropriated by related parties, Huashi Media shall urge such related parties to compensate all losses suffered by the relevant parties; and

BUSINESS

- (ii) the controlling shareholders, actual controller, directors, supervisors and senior management of Huashi Media undertook from the date of the Undertaking that they, their close relatives and their other directly or indirectly controlled companies shall not by any way, including by direct or indirect borrowings, appropriate the funds of Huashi Media and its subsidiaries, and shall strictly comply with and procure Huashi Media and its management to comply with the Huashi Articles and applicable PRC laws and regulations to ensure that the funds of Huashi Media and its subsidiaries will not be appropriated by related parties so as to protect the completeness and safety of Huashi Media’s assets.

The Undertaking did not provide for a specific duration, but was one of the remedial actions taken by Huashi Media to rectify the Non-compliance Incidents to safeguard the property of Huashi Media and the legitimate rights and interests of public shareholders, and to comply with the relevant rules as discussed above. Our PRC Legal Advisers are of the view that the Undertaking shall be valid during Huashi Media’s listing on the NEEQ and shall no longer be effective upon Huashi Media’s delisting from the NEEQ.

BUSINESS

(2) Reasons for the non-compliance

The Non-compliance Incidents occurred primarily because at the material time, our then directors of Huashi Media were not fully aware of the requirements under the relevant PRC laws and regulations considering that Huashi Media only became listed on the NEEQ in January 2016. Mr. Chen and Ms. Xue were not aware that the Loan Advances were not permitted by relevant PRC laws and regulations and the internal rules and measures of Huashi Media and that, once occurred, it should be disclosed in the form of announcement in accordance with the Disclosure Rules which was effective at the time when the Loan Advances took place.

The Loan Advances were used for the settlement of various costs and expenses associated with the business development and network building activities of Huashi Media, including, among others, transportation expenses and entertainment expenses, for the purpose of exploring new business opportunities and strengthening existing business relationships.

Mr. Chen, as the primary person responsible for the business development and network building of Huashi Media and as the then Controlling Shareholder and chairman of the board of Huashi Media, made the majority of borrowings in his own name, which in aggregate amounted to RMB1,207,000, for the settlement of any relevant costs and expenses to be incurred during such activities. An aggregate amount of RMB170,000 was borrowed by Ms. Xue, Mr. Wang Ming, Mr. Zhang Feng, Ms. Cheng Xi and Mr. Chen Xudong on behalf of Mr. Chen to settle any relevant costs and expenses to be incurred during such occasions when they were instructed by Mr. Chen to assist with the organization of the relevant business development and network building activities at such times when Mr. Chen was busy with other commitments. Ms. Xue, who was a director of Huashi Media at such time and would lead the business development and network building activities for the benefits of Huashi Media from time to time, also borrowed an aggregate amount of RMB60,000 in her own name for the same purpose. The full amount of the Loan Advances of RMB1,437,000 borrowed was applied for the purpose of settling the costs and expenses in connection with the business development and network building activities of Huashi Media and thus was for the benefits of Huashi Media.

The non-compliance was unintentional and was caused by the unfamiliarity of Mr. Chen, Ms. Xue and other related parties with the relevant PRC laws and regulations and the internal rules and measures of Huashi Media at the material time given that we only became listed on the NEEQ shortly before the occurrence of the Non-compliance Incidents, rather than any material deficiencies in our internal control system or any dishonesty or fraudulent act on the part of our Directors and senior management.

BUSINESS

(3) Identity and position of our Director(s) and senior management involved

Set out below are certain details of our Directors and senior management involved in the Non-compliance Incidents:

Name	Position in Huashi Media at the material time
Mr. Chen	Controlling shareholder, actual controller, chairman of the board
Ms. Xue	Director

(4) Legal consequences and maximum potential penalty

As advised by our PRC Legal Advisers, under the Measures for Supervision and Administration of Unlisted Public Companies (Revision 2013) (非上市公眾公司監督管理辦法 (2013年版)), which was applicable to Huashi Media given that Huashi Media was not listed on a stock exchange during the period when it was listed on the NEEQ, if companies and other information disclosure obligors fail to disclose information as required or disclose information with false records, misleading statements or material omissions, they shall be subject to punishment in accordance with Article 193 of the Securities Law of the PRC. Accordingly, they shall be ordered to rectify, be given a warning, and shall, in addition, be fined not less than RMB300,000 but not more than RMB600,000. Each of the persons directly in charge of and other persons directly responsible for the relevant information disclosure shall be given a warning and shall, in addition, be fined not less than RMB30,000 but not more than RMB300,000.

BUSINESS

According to the Business Rules and the Disclosure Rules, where there is any violation of the Business Rules and the Disclosure Rules, NEEQ Co., Ltd. has the discretion to impose any disciplinary and regulatory measures against any companies listed on the NEEQ, their directors and senior management, including but not limited to making explanation and disclosure of any non-compliances, issuing written undertakings, circulating a notice of criticism, being publicly censured, and rectifying the breach.

According to Article 29 of the then effective Interim Measures for the Administration of NEEQ Co., Ltd. (全國中小企業股份轉讓系統有限責任公司管理暫行辦法), NEEQ Co., Ltd. may adopt self-discipline regulatory measures according to law and report to the CSRC for record if the relevant parties were found to have violated laws, regulations and business rules; and where the violations shall be investigated and dealt with by the CSRC in accordance with the law, NEEQ Co., Ltd. shall suggest the CSRC to investigate and deal with the cases. According to Article 14 of the then effective Measures of the NEEQ for the Implementation of Self-discipline Regulatory Measures and Disciplinary Sanctions (for Trial Implementation) (全國中小企業股份轉讓系統自律監管措施和紀律處分實施辦法(試行)), in handling the self-discipline regulatory matters, if NEEQ Co., Ltd. finds the relevant matters do not fall within the scope of its self-discipline regulatory responsibilities, it shall transfer such matters to the competent authority according to law.

Our PRC Legal Advisers advised that up to the Latest Practicable Date, Huashi Media, Mr. Chen, Ms. Xue, our other Directors and senior management have not received any notice, letter of intent or letter of decision for disciplinary sanctions, letter of decision on self-discipline regulatory measures, or notice of transferring any matters to the CSRC or any other competent authority issued by NEEQ Co., Ltd., nor have they been subject to any investigation or administrative punishment in relation to the Loan Advances imposed by the CSRC or any other competent authority in relation to the Non-compliance Incidents.

(5) Potential operational and financial impact on our Company

Our Directors are of the view that we will not be subject to any punishment by the relevant regulatory authorities due to the Non-compliance Incidents and there is no adverse operational and financial impact on our Company on the basis that:

- (i) all the loans involved in the Non-compliance Incidents were fully repaid to Huashi Media together with interest paid at the market rate;
- (ii) the Non-compliance Incidents have been rectified;
- (iii) we have not been subject to any punishment by the relevant regulatory authorities, including but not limited to the CSRC and NEEQ Co., Ltd., due to the Non-compliance Incidents;

BUSINESS

- (iv) as disclosed in the paragraph headed “History, Reorganisation and Corporate Structure – Corporate History and Development – Our Operating Subsidiaries – Huashi Media – Listing on and delisting from the NEEQ” in this document, Huashi Media was delisted from the NEEQ in view of the [REDACTED] which our Directors believe will benefit our Group’s operations and future business development strategies, and during the process of its delisting, the relevant regulatory authorities had not raised any concern as to the Non-compliance Incidents;
- (v) our Directors are not aware of any ongoing investigation conducted by the relevant regulatory authorities or claims made by other third parties in relation to the Non-compliance Incidents; and
- (vi) our PRC Legal Advisers advised that the risk of the relevant authorities imposing further punishment or penalties on us is remote considering that (a) all the loans involved in the Non-compliance Incidents were fully repaid to Huashi Media together with interests; (b) the Non-compliance Incidents and the remedial actions were confirmed and approved by the board meeting and general meeting of Huashi Media and relevant announcements were disclosed on the official website of the NEEQ immediately after Huashi Media became aware of it, while the relevant regulatory authorities had not imposed any punishment on Huashi Media; (c) the relevant regulatory authorities also had not raised any concern as to the Non-compliance Incidents during the process of and after Huashi Media’s delisting from the NEEQ; (d) if NEEQ Co., Ltd. finds that the relevant matters shall be investigated and dealt with by the CSRC, it will put forward investigation suggestions to the CSRC, or if NEEQ Co., Ltd. finds that the relevant matters do not fall within the scope of its self-discipline regulatory responsibilities, it will transfer such matters to the competent authority according to law. However, as at the Latest Practicable Date, Huashi Media and its shareholders, directors, supervisors and senior management have not received any notice, letter of intent or letter of decision for disciplinary sanctions, letter of decision on self-discipline regulatory measures, or notice of transferring any matters to the CSRC or any other competent authority issued by NEEQ Co., Ltd., nor have they been subject to any investigation or administrative punishment in relation to the Loan Advances imposed by the CSRC or any other competent authority; (e) our PRC Legal Advisers made telephone inquiries with NEEQ Co., Ltd and were advised that (1) NEEQ Co., Ltd. would review all announcements published by NEEQ-listed companies on the NEEQ website, and if no punishment, disciplinary measures or sanctions were imposed on the NEEQ-listed company at that time, the NEEQ-listed company will not be subject to any further investigation or punishment after its delisting from the NEEQ; (2) the Non-compliance Incidents were only required to be disclosed on the NEEQ website, and did not fall under the regulation of the CSRC; and (3) Huashi Media was no longer governed by NEEQ Co., Ltd subsequent to its delisting and therefore the NEEQ Co., Ltd will not impose any punishment and disciplinary measures against Huashi Media and the relevant persons as a result of the Non-compliance Incidents which occurred during the time of its listing on the NEEQ; and (f) no record of investigations, administrative punishments, disciplinary sanctions or self-discipline regulatory measures were found in relation to Huashi Media, Mr. Chen and Ms. Xue based on the Company’s confirmation and independent searches on the websites of the CSRC and NEEQ Co., Ltd.

BUSINESS

(6) Measures for rectification and enhancement of internal control

The following measures for rectification were taken subsequent to the Non-compliance Incidents:

- (i) the loans involved were fully repaid by Mr. Chen and Ms. Xue to Huashi Media, together with interests;
- (ii) remedial actions for the Non-compliance Incidents were considered and approved at the board meeting of Huashi Media held on 18 August 2016 (the “**Board Meeting**”) and the general meeting of Huashi Media held on 5 September 2016 (the “**General Meeting**”), whereby the board and shareholders of Huashi Media confirmed and approved the Loan Advances;
- (iii) Huashi Media, its then controlling shareholders, actual controller, directors, supervisors and senior management, including Mr. Chen and Ms. Xue, made the Undertaking; and
- (iv) Huashi Media disclosed (i) the resolutions passed at the Board Meeting and the announcement regarding the Non-compliance Incidents and the remedial actions on 19 August 2016; and (ii) the resolutions passed at the General Meeting on 6 September 2016, on the official website of the NEEQ according to the Disclosure Rules.

In relation to the above rectification measures:

- (i) under the requirements of the Huashi Articles, formal procedures of the board meeting and general meeting shall be conducted to approve the loans to the controlling shareholders, actual controller and related parties. Our Directors confirm that the purpose of subsequently obtaining board approval and shareholders’ approval on the Loan Advances on 18 August 2016 and 5 September 2016 respectively was for remedial actions and internal control purposes for the Non-Compliance Incidents. Our PRC Legal Advisers are of the view that the risk of being punished and penalised by the relevant authorities would be lower after such remedial actions have been taken;
- (ii) for the two years ended 31 December 2020, the maximum outstanding balances of the amount due from Mr. Chen were approximately RMB29.1 million and RMB41.8 million and the maximum outstanding balances of the amount due from Mr. Zhao Yulu, the supervisor of Wuyuan Fujie were approximately RMB2.0 million and RMB2.0 million, respectively. Such amount due from Mr. Chen were advances provided by Huashi Media to Mr. Chen, which were applied by Mr. Chen (a) towards payment of the registered capital for his 70% equity interest in Hubei Huacheng Property Investment Co., Ltd. (湖北華承置業投資有限公司) (“**Huacheng Property**”), a company primarily engaged in the development and operation of real

BUSINESS

estate projects, in the total amount of RMB25.76 million; and (b) advances to Huacheng Property for the purpose of Huacheng Property's business operations. Mr. Chen had executed an indemnity in favour of Huashi Media whereby Mr. Chen would indemnify Huashi Media against all costs, damages and losses of whatever nature suffered by or incurred by Huashi Media directly or indirectly in connection with the aforesaid advances. The said advances to Mr. Chen had been fully settled in December 2020 and occurred after Huashi Media was delisted from the NEEQ in April 2019 and was a private company, while such amount due from Mr. Zhao Yulu, who was also the previous shareholder holding 20% equity interests in Wuyuan Fujie, represented an unpaid share capital of RMB2.0 million. Mr. Zhao Yulu transferred his 20% equity interest in Wujian Fujie to Huashi Media in January 2021 as part of our Reorganisation. Considering that (a) the advance provided to Mr. Chen as mentioned above were made with proper approvals during the relevant times, having passed the internal approval procedures of the board meeting and general meeting; and (b) the Undertaking made by Huashi Media, Mr. Chen and other related parties during Huashi Media's listing on the NEEQ shall only be valid during Huashi Media's listing on the NEEQ and shall no longer be effective upon Huashi Media's delisting from the NEEQ, our PRC Legal Advisers are of the view that the abovementioned amounts due from Mr. Chen and Mr. Zhao Yulu were not in breach of the Undertaking, the Huashi Articles and/or the applicable PRC laws and regulations; and

- (iii) as advised by our PRC Legal Advisers, according to the then effective Disclosure Rules, the Business Rules and the Business Guide for Follow-up Information Disclosure of NEEQ-listed Companies (for Trial Implementation) (全國中小企業股份轉讓系統掛牌公司持續信息披露業務指南(試行)), (a) Huashi Media was required to disclose the Non-compliance Incidents in the form of announcement on the NEEQ website, but was not required to perform any other reporting procedures to NEEQ Co., Ltd.; and (b) NEEQ Co., Ltd. shall review the information disclosed by the NEEQ-listed company. If it is found that the information disclosure documents do not comply with the relevant rules of NEEQ, feedbacks will be sent to the sponsoring broker through the information disclosure system, and hence Huashi Media did not obtain any positive confirmation from NEEQ that they were aware of the Non-compliance Incidents. Therefore, given that Huashi Media has disclosed the Non-compliance Incidents in the form of announcement on the NEEQ website and has not received any feedback from NEEQ Co., Ltd. or its sponsoring broker, it could be considered as that NEEQ Co., Ltd. has acknowledged the Non-compliance Incidents and has no opinion on such disclosure.

Subsequent to the Period of Advances and up to the Latest Practicable Date, no further loan was made to related parties of Huashi Media without going through the requisite internal procedures. Since the adoption of the above rectification measures, there have not been any recurrences of similar breaches of the relevant PRC laws and regulations during anytime when Huashi Media was listed on the NEEQ.

BUSINESS

Other than the measures for rectification and enhancement of internal control that we immediately undertook after the Non-compliance Incidents as stated above, we have also implemented the following recommendations with effect from 1 June 2021 to enhance our internal control system, which include:

- (a) the adoption of a series of preventive and detective internal control measures comprising the segregation of duties on authorising execution, monitoring and book keeping function of our Company’s funds, to ensure that (i) all corporate funds are used solely for our Group’s operations and will not be misappropriated by any entity or individual; (ii) any loan advances from our Group for the settlement of expense of personal nature are strictly prohibited; and (iii) there will be no reoccurrence of similar incidents in the future:
 - (i) under the requirements of the Huashi Articles, loans can be granted by our Group to our controlling shareholders, actual controller and related parties as long as formal procedures of the board meeting and general meeting have been conducted to approve the said loan transaction. In order to further strengthen the control on the usage of the funds of our Group, our Group has further adopted the Connected Transaction Policy in preparation for the Listing, which imposes a more stringent control on the use of funds of our Group. According to the Connected Transaction Policy of our Group, loan to our controlling shareholders, actual controller and related parties for any purpose is strictly prohibited if the relevant person is not an employee or a Director of our Group. As such, our Group will not grant any loan to the controlling shareholders, actual controller and related parties if he/she is not an employee or a Director of our Group and thus not involved in the daily business operations of our Group;
 - (ii) if our Group’s controlling shareholders, actual controller and related parties are employee or Director(s) of our Group, any fund advances by our Group to them will be subject to the internal controls as specified in sub-paragraphs (iii) to (xv) below;
 - (iii) the requesting staff (the “**Borrower Staff**”) who applies for a money advance shall file a money advance form (the “**Money Advance Form**”), which shall set out the amount being applied for, details of the reason of money advance (for example, the details of the goods or services to be purchased, the projects to which the goods or services are to be applied and the timetable of the use of the funds), the expected date of using the money, bank account number of the Borrower Staff and the expected claim date of the money advance;
 - (iv) subject to sub-paragraph (v) below, the Money Advance Form shall be properly approved and signed by (a) our department manager who supervises the Borrower Staff and confirms the background, reasons and business needs of the money advance to ensure that the money advance is for our Group’s business

BUSINESS

needs; (b) our finance manager; and (c) our executive Director of our Group. This measure could ensure that all money advances are properly approved by the authorised personnel (including the direct supervisor of the Borrower Staff) to avoid misappropriation of our Group's funds and the self-approval of any money advance;

- (v) in the event that the money advance is made to any one of our executive Directors, the relevant Money Advance Form shall be approved and signed by all other executive Directors and the finance manager;
- (vi) if the amount of any money advance of a single Borrower Staff or an executive Director is over RMB100,000, further approval from our Board (including all our executive Directors and independent non-executive Directors, except the director to whom the money advance is made) is required to ensure that our Board is fully informed of the money advance and the use of such money advance is commensurate with our Group's business needs and strategies. The Money Advance Form shall be sent to all of our Directors for their information and signing;
- (vii) the aforesaid personnel mentioned in sub-paragraphs (iv) to (vi) above who are involved in the approval process of money advance shall keep a record of the materials and/or supporting documents considered by them when approving the money advance;
- (viii) our Group's finance staff would only execute the payments in accordance with the duly authorised and approved Money Advance Form. This preventive control could prevent any unauthorised payments from our Group's accounts to the personal accounts of the Borrower Staff;
- (ix) the Borrower Staff shall submit valid supporting documents to support the money advance to the finance department within one month after the date of receipt of the money advances from our Group. Supporting documents shall include but not limited to receipt records (e.g. supplier invoices and pay slips) clearly showing the amount, price and nature of goods or services purchased. This measure could (a) ensure that all funds applied under the money advance are only used for the specific purpose stated in the approved Money Advance Form and will not be misappropriated; and (b) detect whether the Borrower Staff has applied the money advances for other purposes that are not properly authorised;

BUSINESS

- (x) our Group's finance staff shall check the supporting documents submitted to ensure that these documents reconcile with the amount applied and details of the actual use of money advance stated in the approved Money Advance Form and thus are authentic and accurate. Our finance staff shall then prepare for the payment vouchers and record the relevant expenses in the accounting system accordingly;
- (xi) all the money advances applied and approved, the transaction amounts stipulated in the relevant supporting documents indicating what the funds are used for, and/or funds returned by the Borrower Staff shall be recorded in the money advance register by our Group's finance staff on a daily basis and will be counter-checked by our Group's finance manager on a weekly basis against receipt records and bank payment advice. On a monthly basis, the finance supervisor (currently Mr. Zhang Bei, who is also one of our executive Directors) shall check the accounting ledger against the money advance register and reconcile any difference. This detective control could ensure that any money advances made by our Group are recorded promptly, our Group's accounting records and money advance register are complete and accurate and any irregularities can be identified and handled promptly;
- (xii) our finance manager is responsible for, on a monthly basis, closely monitoring the status and usage of the money advance as well as the status of the submission of supporting documents or return of the money advances. If any long outstanding money advance is identified, he shall inform all of our executive Directors by email. Our executive Directors shall follow up with the Borrower Staff and his/her department manager for the long outstanding money advance, obtain and verify the reason for the delay in the submission of supporting documents or return of the money advances. Depending on the decision of our executive Directors, he/she might request the Borrower Staff to return the money advance immediately or grant a time extension for the submission of supporting documents or return of the money advances. Our finance manager will be informed by our executive Directors in email for such decision and is responsible for the follow-up work, such as issue of warning letter and collection of the money advance return in accordance with procedure described in sub-paragraphs (xiii) below, or update of money advance register in case the extension is granted etc. This detective control could ensure that any irregularities could be identified promptly such that proper follow-up action can be carried out in a timely manner;
- (xiii) if it is discovered that the Borrower Staff has used the loan advances for settlement of expenses of personal nature or for other purposes that are not properly authorised, the finance supervisor (currently Mr. Zhang Bei) shall report to our Board. Our Group will request the Borrower Staff to make full repayment of the money advances, together with interest that is determined

BUSINESS

based on the prevailing bank lending rates immediately. Our Group will also issue warning letter to the staff concerned, and might consider taking further actions, including reporting to the police and/or commencing legal action as appropriate;

(xiv) if the previous money advances are not properly supported with valid supporting documents by the Borrower Staff, and/or the Borrower Staff fails to fully return the unused balance of money advances to our Group in a timely manner, further money advances will not be made to the Borrower Staff. In addition, our Group will issue the warning letter to the staff concerned. If the money advances are still not returned immediately and/or supported with valid supporting documents, our Group might consider taking further actions, such as reporting to the police and/or commencing legal action as appropriate;

(xv) our Group's internal audit function will be established upon the Listing to evaluate the effectiveness of the money advance approval and monitoring process as well as to detect any deviations between the current practice and our Group's policies and codes on a regular basis, at least once a year; and

(b) in connection with the above measures, establishing a list of connected persons and related parties of our Group, and making regular review and updates thereto to ensure that the connected persons and related parties can be identified.

BT Corporate Governance Limited, our internal control consultant, performed a follow-up review of our internal control measures related to the Non-compliance Incidents. Based on the results of such review and confirmation of our Directors, our internal control consultant is of the view that our Group's enhanced internal control measures are adequate and effective to reasonably prevent reoccurrence of similar non-compliance incidents in the future.

BUSINESS

(7) Views of our Directors and the Sole Sponsor

Having considered (i) the nature and reasons for the Non-compliance Incidents; (ii) the rectification measures taken and the internal control measures adopted by our Company; (iii) that there has been no recurrence of similar non-compliance incidents and findings since the implementation of the rectification measures and internal control measures; (iv) the view of the internal control consultant of the Company on the internal control measures related to the Non-compliance Incidents as discussed above; and (v) the recommendation of the internal control consultant and the follow-up procedures conducted, our Directors are of the view, and the Sole Sponsor concurs, that (i) our Group’s internal control measures are adequate and effective to prevent recurrence of the Non-compliance Incidents in the future; (ii) our Group has adequate and effective internal control procedures in place; (iii) the Non-compliance Incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules; and (iv) the Non-compliance Incidents were unintentional, did not indicate any material deficiencies in our internal control system or involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors.

As at and up to the Latest Practicable Date, save for the Non-compliance Incidents disclosed above, our Directors confirm that there was no other non-compliance incident which constitutes material non-compliance or systemic non-compliance pursuant to the guidance letters issued by the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (“ESG”)

We give high regard for environmental protection, and are committed to promoting corporate social responsibility and sustainable development. Therefore, we seek to integrate these core values into our business operation by the adoption of a comprehensive policy on environmental, social and corporate governance responsibilities (the “**ESG Policy**”) in accordance with the Listing Rules. The ESG Policy covers various important facets, among others: (i) identification of key stakeholders, their potential focuses, and communication channels to engage with them; (ii) formation process of ESG strategy; (iii) ESG risks, and respective ways for management and monitoring; and (iv) measurements of key performance indicators (“**KPIs**”) and mitigating actions.

Set forth below are examples of our ESG Policy in different aspects:

Environmental protection – We have established policies including (i) handling procedures of recyclable and non-recyclable non-hazardous waste; (ii) reducing our emissions including greenhouse gas and water pollutants; (iii) efficient use of resources including water and electricity; and (iv) conducting annual review on our compliance of relevant environmental laws and regulations.

BUSINESS

Occupational safety – We value the importance of maintaining a safe, healthy and efficient work environment for all of our employees. Our employees are required to abide by occupational health and safety regulations in the PRC, as well as our safety and health guidelines. In order to provide a safe working environment, we set out a series of work safety measures in the staff manual for our staff to follow. In addition, it is our policy to provide our employees with occupational safety updates to enhance their awareness of safety issues. We believe that we were in compliance with health and work safety requirements in all material respects during the Track Record Period up to the Latest Practicable Date.

Employee trainings – We place significant emphasis on employee trainings and development. We invest in the education and training programs for our employees with the purpose of upgrading their knowledge on the latest development of the branding, advertising and marketing solution services industry.

Social responsibility – We care about our social responsibility and our relationship with different stakeholders in the community. We will conduct trainings and formulate staff handbook to strengthen our communication with our employees internally and organize community initiatives to maintain our bonding with external stakeholders.

Our ESG Policy also sets out the respective responsibility and authority of different parties in managing the ESG matters. Our Board has an overall responsibility for overseeing and determining our Group’s environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group’s performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board has established an ESG working group that comprises four members, including our chairman, general manager, finance manager, and human resources manager. The ESG working group serves as a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group’s ESG-related risks. The ESG working group has to report to our Board on a semi-annual basis on the ESG performance of our Group and the effectiveness of the ESG systems.

Potential impacts of ESG-related risks

As an advertising company, our Group is not involved in any manufacturing activities or construction projects, thus there is no material emissions and wastes. We are, however, subject to various laws and regulations in Hong Kong and the PRC, mainly in relation to social matters. For further details about the relevant laws and regulations, please refer to the section headed “Regulatory Overview – PRC Laws and Regulations on Advertising Industry”, “Regulatory Overview – PRC Laws and Regulations on Personal Information and Data Security”, “Regulatory Overview – PRC Laws and Regulations on Intellectual Property”, and “Regulatory Overview – PRC Laws and Regulations on Labour Protection” in this Document.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we have not received any fines or penalties associated with the breach of any environmental laws or regulations. To the best knowledge and belief of our Directors, we are not subject to material environmental liability risk and will not incur material compliance costs in the future.

To promote sustainable development, considering recommendation of the Task Force on Climate-Related Financial Disclosures (“TCFD”), our Group has identified potential physical risks and transition risks from climate change. Acute physical risks that arise from extreme weather conditions such as tropical storms and flooding may have potential financial implications for our Group. In the event of these extreme weather conditions, there can be financial losses due to direct damage of assets and disruption of operation. As our business depends primarily on providing advertising resources to our customers, we rely on business cooperation with our major suppliers. For this reason, our Group may also experience indirect impacts from supply chain disruption if our suppliers’ operations are hindered by such extreme weather conditions. Regarding chronic physical risks, sustained elevated temperature may lead to an increase in cost related to the rising need for cooling, leading down to higher operating expenditure. In response to the potential increase in electricity consumption, our Group has adopted an array of measures, please refer to “Metrics and targets” below for details. Upon evaluation, it can be concluded that our Group’s exposure to these potential risks is relatively low.

Potential transition risk may occur when transitioning to a lower-carbon economy, which entails market risks and changes in climate-related regulations and policy. Market risks may result from the shift in customers’ preferences to other service providers that incorporate sustainability concept into their branding, advertising and marketing solution services. With regards to potential changes in climate-related regulations and policy, some possible outcomes are increased pricing of greenhouse gas emissions and increased operating costs.

Set forth below is a summary of the climate-related risks which our Group identified over the short, medium, and long term.

	Risks	Potential Impacts	Mitigation Strategies
Short term (current annual reporting period)	<ul style="list-style-type: none"> • Extreme weather events such as flooding and tropical storms 	<ul style="list-style-type: none"> • Reduced revenue from business and supply chain disruptions 	<ul style="list-style-type: none"> • Our Group has established an adverse weather condition policy in coping with business disruptions resulting from extreme weather events
Medium term (1-3 years)	<ul style="list-style-type: none"> • Sustained elevated temperature 	<ul style="list-style-type: none"> • Additional costs from repairing and restoring damaged infrastructure • Increased cost related to the rising need for cooling 	<ul style="list-style-type: none"> • Potential damage to asset and supply chain disruption risks associated with extreme weather conditions are included in the risk management team’s planning • To reduce energy consumption, our Group has adopted various energy conservation measures

BUSINESS

	Risks	Potential Impacts	Mitigation Strategies
Long term (4-10 years)	<ul style="list-style-type: none"> • Changes in climate-related regulations • Shift in customers’ preferences 	<ul style="list-style-type: none"> • Increased pricing of greenhouse gas emissions • Reduced demand of services and revenue 	<ul style="list-style-type: none"> • Our Group has limited company vehicle use to necessary meetings only and reduced energy consumption by implementing energy conservation measures • Our Group takes sustainability and environmental issues into consideration when making decisions regarding brand development strategies and advertising campaigns to meet market and customer expectations

Our Group has also identified potential opportunities from climate change. Realizing there is an increasing concern and attention about sustainability and environmental-related issues, our Group has taken prudent steps in incorporating sustainability in our development strategies. This may positively affect the performance of our portfolios and provoke investor engagement. This, too, may place our Group in a better competitive position which allows us to reflect consumer preferences, leading to improved market integrity and investor confidence.

Strategies in addressing ESG-related risks

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess or engage external experts to evaluate the risks and review our Group’s existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee and the ESG working group will maintain oversight of our Group’s approach to risk management, including climate-related risks and risks are monitored as part of the standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews.

The decision to mitigate, transfer, accept or control risk is determined by various factors such as government regulation, transportation network and public perception. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, our Group will refer to them in the course of the strategy and financial planning process. Upon annual review of the environmental, social and climate-related risks, and our Group’s performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

BUSINESS

Metrics and targets

Our Board will set targets for each material KPIs at the beginning of each financial year in accordance with the reporting requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon [REDACTED]. The relevant targets on material KPI will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, our Group has taken into account their respective historical levels for FY2020 to FY2022, and has considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

For the period from FY2020 to FY2022, regarding greenhouse gas (“GHG”) emissions, it should be noted that due to the COVID-19 pandemic, there were government subsidies in 2020 and from January to June 2021. As there are no records for the electricity consumption of these months, this Document does not cover the consumption of the subsidized months. As for the Macheng office, as electricity is included in the management fee, there are no records for the Track Record Period as well. Our GHG emissions result principally from scope 1 direct GHG emission results from burning of fuels in vehicles and scope 2 indirect GHG emission results from purchased electricity. We do not involve in material emissions due to our business nature.

The following table sets forth the breakdown of our GHG emissions during the Track Record Period:

GHG emission	Unit	FY2020	FY2021	FY2022
	Tonnes of carbon dioxide equivalent/ thousand dollars of revenue	0.00018	0.00071	0.00034

Our Group will make continuous efforts in working towards the target of limiting the increase in GHG emission intensity by no more than 10% in the next three years ending 31 December 2025, against the emission intensity level of the baseline year ended 31 December 2019.

The use of motor vehicles also gives rise to other air pollutants including nitrogen oxides (“NO_x”), sulphur oxides (“SO_x”) and particulate matter (“PM”).

BUSINESS

The following table sets forth the breakdown of our NO_x, SO_x and PM emissions during the Track Record Period:

Type of air pollutants	Unit	FY2020	FY2021	FY2022
NO _x	grams/thousand	0.12	0.11	0.046
SO _x	dollars of revenue	0.00097	0.00093	0.00044
PM		0.010	0.009	0.004

We have adopted various measures in managing the air emissions and GHG emissions during the course of our operations, including but not limited to:

- requiring employees to turn off lights, equipment, and other electronic devices when the devices are not in operation and before they leave the premises;
- using more energy-efficient lighting products, such as LED lighting;
- setting and keeping the air conditioners to a default temperature of around 24 degrees; and
- conducting regular inspection and maintenance of vehicles and equipment.

As for water consumption, it should be noted that due to the COVID-19 pandemic, there were government subsidies in 2020 and from January to June 2021. As there is no record for the water consumption of these months, this Document does not cover the consumption of the subsidized months. As for the Macheng office, as water is included in the management fee, there are no records for the Track Record Period as well.

The following table sets forth the breakdown of our water consumption:

Water consumption	Unit	July – December 2021	FY2022
	cubic metres/thousand	0.0089	0.0090
	dollars of revenue		

Our Group will make continuous efforts in working towards the target of limiting the increase in water consumption by no more than 10% in the next three years ending 31 December 2025, against the water consumption intensity level of the baseline year ended 31 December 2019. Our Group has established water usage management and implemented relevant measures to avoid unnecessary leakage.

BUSINESS

The provision of advertising and marketing solution services involve the use of materials such as banners or props, depending on the nature of the projects and requirements of our customers for the events and marketing activities. Our Group mainly engages the third-party service providers in executing such marketing events, and relevant materials used in the events are supplied and handled by the service providers. Despite our role being more involved in the overall planning and supervision of the events and the communication amongst our customers and service providers instead of the execution aspects of the event, we encourage our service providers to adopt green procurement, sort and recycle any recyclable materials upon the completion of the events, to minimize the waste generated.

To ensure the quality of our services, we have established and maintained stringent quality control, assurance standards, and inspection procedures at each critical step of our service delivery. For further details, please refer to the subsection headed “Business – Quality Control”.

Our Board has the collective responsibility for establishing, adopting and reviewing the vision, policies and target of our environmental, social and corporate governance policy, and evaluating, determining and addressing our environmental, social and corporate governance related risks regularly. Our Board may assess or engage external consultants to evaluate our risks in these regards and will take necessary improvement measures to mitigate identified risks.

Our Directors confirm that we have complied with all applicable environmental law and regulations in the PRC in all material respects. As advised by our PRC Legal Advisers, there were no breaches or violations of the PRC environmental laws and regulations applicable to our business operations during the Track Record Period that would have a material and adverse impact on our business, financial condition or results of operation taken as a whole. In addition, we had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection, or been involved in any significant workplace accident or fatality. During the Track Record Period, our expenses in relation to environmental protection were insignificant and we expect such expenses to remain at relatively low levels in the foreseeable future.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors are responsible for formulating and overseeing the on-going implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. With a view to manage our business and operational risks, to ensure our smooth operation and to avoid future recurrence of historical non-compliance incidents, we have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to assist us in reviewing and providing recommendations on improving our internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, cost of services, expenses and cost management, fixed assets management, human resources, financial management and information technology.

As part of the engagement, we have consulted with our Internal Control Consultant to identify factors relevant to enhancing our internal control system and the steps to be taken. The Internal Control Consultant provided a number of findings and recommendations and we have subsequently taken remedial actions in response to such findings and recommendations. Highlights of our internal control measures include but not limited to the following:

- our Directors will attend training sessions conducted by the Hong Kong legal advisers on the on-going obligations and duties of a director of a company whose shares are [REDACTED] on Stock Exchange;
- we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year/period and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after the [REDACTED];
- when necessary, we will engage external professionals, including auditors, internal control consultants, external legal adviser(s) and other advisers to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time;
- we have appointed Rainbow Capital (HK) Limited as our compliance adviser which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company; and
- we [have established] an Audit Committee to review and supervise our financial reporting process and internal control system.

Based on the recommendations of the Internal Control Consultant and the follow-up review procedures conducted, our Directors have confirmed that our Group had adopted all major internal control measures and policies suggested by the Internal Control Consultant and did not have any significant or material deficiencies in its internal control system as at the Latest Practicable Date.

BUSINESS

We are exposed to various risks during our operations. For more details about these risks, please refer to the section headed “Risk Factors” in this document. In addition to the abovementioned internal control measures, we have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the provision of our services, administration of daily operations, financial reporting and recording, compliance procedures with applicable laws and regulations on environmental protection and workplace safety. Our Board oversees and manages the overall risks associated with our operations.