*The following discussion and analysis should be read in conjunction with the Accountant's Report (together with the accompanying notes) set out in "Appendix I – Accountant's Report" in this document. Our consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as adopted by the Hong Kong Institute of Certified Public Accountants.*

*The following discussion and analysis contain forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. You should not place undue reliance on any such statements in this section. However, our actual future results and the timing of selected events could differ significantly from those anticipated in these forward-looking statements as a result of various factors, including those set out in the section headed "Risk Factors" and elsewhere in this document.*

## 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, our Group generated revenue primarily from the following services including (i) branding services; (ii) traditional offline media advertising services; (iii) online media advertising services; (iv) event execution and production services; and (v) provision of advertisement placement services (including rebate from media partner) to our customers. During the Track Record Period, we recorded revenue of approximately RMB103.4 million, RMB157.6 million and RMB205.4 million, and our profit for the year was approximately RMB24.3 million, RMB18.5 million and RMB45.7 million, respectively.

## BASIS OF PRESENTATION

The consolidated financial statements of our Group set out in "Appendix I – Accountants' Report" in this document have been prepared in accordance with HKFRSs. All HKFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the consolidated financial statements of our Group set out in "Appendix I – Accountants' Report" in this document throughout the Track Record Period.

In preparation for the [**REDACTED**], we underwent the Reorganisation, which is detailed in the section headed "History, Reorganisation and Corporate Structure" in this document. As part of the Reorganisation, our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act on 18 February 2021 and became the holding company of the companies now comprising our Group upon completion of the Reorganisation for the purpose of [**REDACTED**] with other business conducted through our operating subsidiaries in the PRC. Our Group, structured with the Company holding the subsidiaries resulting from the Reorganisation, is regarded as a continuing entity, our financial information for the Track Record Period hence has been prepared as a continuation of the existing group using the principles of merger basis of accounting.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows have been prepared as if the current structure of our Group had been in existence throughout the Track Record Period, or since their respective dates of incorporation, establishment or acquisition, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2020, 2021 and 2022 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current structure of our Group had been in existence as at the respective dates, taking into account the respective dates of incorporation, establishment or acquisition, when applicable.

The historical financial information has been prepared at historical cost basis and is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

Intra-group balances, transactions and any unrealised profits arising from intra-group transactions, are eliminated in full in consolidation in preparing the financial information.

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, many of which are beyond our control, including those set out in the section headed "Risk Factors" in this document and those discussed below:

### Our ability to maintain and expand our customer base

Most of our business are conducted on a project basis and our financial performance depends on our ability to maintain our relationships with our major customers and to develop new opportunities with potential customers. Our five largest customers in each year of the Track Record Period in terms of revenue contributed a significant portion of our revenue, which accounted for approximately 52.2%, 26.2% and 27.0% of our total revenue during the Track Record Period, respectively. We intend to strengthen the relationships with our customers and expand our customer base. However, since no long-term agreements have been entered into between our Group and the customers, there is no assurance that our customers will continue to provide us with business after the completion of branding, advertising and marketing solution services.

In the event that any of our major customers reduce their demand on our branding, advertising and marketing solution services or even cease the business relationship with us and we could not be able to find new customers or demand timely, our results of operations and financial position would be adversely affected.

### Our ability to maintain and expand our advertising resources and market research data and analysis

Our business depends largely upon our ability to provide advertising resources and market research data and analysis to our customers. We rely on our business cooperation with our major suppliers, most of which are advertising resources providers, TV station operators, advertising agents, research institutes and research companies in the PRC, for sourcing advertising resources and market research and data analysis. During the Track Record Period, our five largest suppliers in each year of the Track Record Period in terms of cost of services provided by suppliers accounted for approximately 68.1%, 44.7% and 42.1% of our total cost of services provided by suppliers, respectively.

During the Track Record Period, we generally contracted with our suppliers on a project basis, accordingly, the agreements do not contain clauses that guarantee the agreement can be automatically renewed upon expiry or limit or control the price at which advertising resources and market research data and analysis are supplied to us. If our suppliers decide to increase the price of the advertising resources and market research data and analysis to us and we could not pass the increase in procurement costs to our customers, or if our suppliers choose not to supply their advertising resources and market research data and analysis to us and we are unable to find suitable alternative suppliers, our results of operations and financial position would be materially and adversely affected.

**Service mix**

Our branding, advertising and market solution services are primarily conducted on a project basis. For all types of services that we provide, we generally charge our client a fixed service fee which is determined on a project basis. As a result, our revenue, profitability and results of operations are affected by the service mix of such services. During the Track Record Period, our Group generated revenue primarily from (i) branding services; (ii) traditional offline media advertising services; (iii) online media advertising services; (iv) event execution and production services; and (v) advertisement placement services (including rebate from media partner). Our gross profit margins may vary for different type of branding, advertising and market solution services we provide, depending on a wide range of factors such as type of services provided, cost of services and pricing strategies. Changes in service mix have affected, and are expected to continue to affect, our financial performance.

Our service mix may change over time and the magnitude of such change has a direct impact on our revenue and profitability. Our Group's ability to maintain our gross profit margin also depends on the intensity of market competition, market supply and demand, product quality and the costs of advertising resources. During the Track Record Period, our overall gross profit margin amounted to approximately 41.5%, 36.6% and 50.3%, respectively. Our Directors expect to adjust our Group's service mix constantly in response to the changes in demand and pricing for different branding, advertising and marketing solution services. For instance, the proportion of our revenue generated from our online media advertising services and event execution and production services increased significantly in FY2021 and those from our branding services and traditional offline media advertising services decreased in FY2021 and FY2022. Due to different cost structure, the gross profit margin of online media advertising services is relatively lower than that of branding services. Therefore, we recorded a decrease in overall gross profit margin in FY2021. As we commenced to provide the provision of advertisement placement services in FY2022 and we recognise revenue from the provision of advertisement placement services (including rebates from media partner) on a net basis, our overall gross profit margin in FY2022 increased to approximately 50.3%. Excluding those revenue recognised on a net basis, our gross profit margin for FY2022 would be approximately 41.0%.

If our Group fails to maintain its competitive strengths, we may lose our current market share in our principal business in providing branding, advertising and marketing solution services and our revenue may decrease, which may have a material adverse effect on our business, financial position and results of operations. Going forward, in order to maintain or increase our profitability, we will continue to evaluate and adjust portfolio of our services from time to time so as to focus on services with market demand and better potential.

**Pricing of our services**

We formulate and adjust our pricing policy in accordance with industry information and market trends. We generally determine our service fee based on a cost-plus approach with reference to our staff costs, research expenses (for branding services) and the costs of procuring advertising resources and/or supplies for implementing the social marketing events (for our advertising services and event execution and production services). Accordingly, we determine our service fees on a case-by-case basis, taking into account other various 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; (vii) the rebates we offered to our customers; and (viii) future business opportunities with the customers.

Our management would review the pricing strategies regularly to ensure the competitiveness of our service fee and maintain our profitability. If we fail to adjust our pricing strategies in response to the changing environment, our results of operations and financial performance could be adversely affected.

**Economic conditions in the PRC**

Our business in providing branding, advertising and marketing solution services is conducted in the PRC. The economic conditions in the PRC may have significant impact on our financial position and results of operations. Economic conditions in the PRC, including levels of consumer spending and disposable income, affect operational budgets of our customers, and in turn, advertising budget and demands for our services. We believe that the economic growth in the PRC will help increase the demand for our branding, advertising and marketing solution services and contribute to the growth of our revenue. Any slowdown or decline in the economic conditions in the PRC may adversely affect our customers' demand for our services and therefore negatively affect our results of operations and financial position.

## SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Our consolidated financial statements have been prepared in accordance with HKFRSs. The significant accounting policies, estimates and judgments are set out in notes 4 and 5 to the Accountants' Report contained in Appendix I to this document. Some of our significant accounting policies involve some assumptions, estimates and judgements which may affect the application of policies and reported amounts of assets, liabilities, income and expenses. Our assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments are most critical to the preparation of our financial information.

**Significant accounting policies**

***Revenue***

The revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added taxes or other sales taxes and is after deduction of any trade discounts.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

*(i) Provision of branding services*

Revenue from provision of branding services is recognised over the service period. The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of our Group's effort or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

*(ii) Provision of event execution and production services*

Revenue from provision of event execution and production services is recognised over service period. The progress towards complete satisfaction of a performance obligation is measured based on input method. Input methods recognise revenue on the basis of our Group's effort or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

*(iii) Provision of multimedia advertising services*

Revenue from provision of integrated multimedia advertising services is recognised on a straight-line basis over the performance period for which the services are rendered, or recognised when our Group fulfilled the specific performance obligation under the finalised contract terms with customers.

*(iv) Provision of advertisement placement services (including rebates from media partner) (Net basis)*

In these arrangements, our Group (i) is responsible for arranging the media platform for the specified services to be transferred; (ii) has no bearing for inventory risks because the Group have no ownership of advertisement, and only acquired use traffic from media platforms; and (iii) has no discretion in establishing the prices for the specified services to be provided by the media platform. Our Group has no control in the specified service before that service is delivered to the advertiser and acts as the agent of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a net basis. Under these arrangements, the rebates earned from the media partners are recorded as revenue in the consolidated statements of profit or loss.

Our Group may offer rebates to customers as part of our incentive activities in some circumstances at our own discretion. Upon when our Group has decided to offer such incentive rebates to our customers, the rebates as offered under the above paragraph are considered as variable considerations and are hence recognised as a deduction of revenue for the period when the related promised services were transferred to our customers.

***Intangible assets***

Intangible assets acquired separately are initially recognised at cost.

Intangible assets with finite useful lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation is provided on a straight-line basis over their useful lives as follows:

| | |
|---|---|
| Mobile application | 5 years |

At the end of each reporting period, our Group reviews the carrying amounts of the intangible assets to determine whether there is any indication that the intangible assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

***Right-of-use asset***

The right-of-use asset should be recognised at cost and would comprise (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Our Group measures the right-of-use assets applying a cost model. Under the cost model, our Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and estimated useful lives of the assets.

Our Group has also leased a number of properties under tenancy agreements which our Group exercises our judgement and determines that is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

At the end of each reporting period, our Group reviews the carrying amounts of the right-of-use assets to determine whether there is any indication that the right-of-use assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

For details of other significant accounting policies, please refer to note 4 included in "Appendix I – Accountants' Report" in this document.

**Significant accounting estimates and judgements**

***Impairment of financial and contract assets***

The impairment of financial and contract assets are based on assumptions about risk of default and expected credit loss rates. Our Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of financial and contract assets and impairment losses in the periods in which such estimate has been changed.

***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the unused tax losses and deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

***Impairment of non-financial assets***

Our Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset of cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Determination of revenue recognition on gross or net basis***

Our Group provides advertisement placement services and multi media advertising services to our customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal vs agent assessment in different business models. Our Group follows the accounting guidance for principal-agent considerations to assess whether our Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether our Group is primarily responsible for fulfilling the promise to provide the specified service; (b) whether our Group has inventory risk before and after the specified service has been transferred to a customer; and (c) whether our Group has discretion in establishing the prices for the specified goods or services. Our management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgment when assessing the indicators depending on each different circumstance.

***Rebate from media partners***

Media partners (or their authorised agencies) may grant our Group rebates in various forms. Our Group records such rebates as reduction of cost of services under gross basis (where the Group acts as principal), or as revenue under net basis (where our Group acts as agent). The rebates earned by our Group from media partners (or their authorized agencies) come with a variety of structures and rates, which are primarily determined based on the contract terms with these media partners (or their authorised agencies), their applicable rebate policies, the business performances of our Group and the discretionary incentive programs as set up by the media partners (or their authorised agencies).

Our Group accrues rebates from media partners based on evaluation as to whether the contractually stipulated thresholds of advertising spend are likely to being reached, or other benchmarks or certain prescribed classification are likely to being qualified. This determination requires significant judgment and estimation. In making this judgment and estimation, our Group evaluates based on the past experience and regular monitoring of various performance factors set within the rebate policies. Such rebates as a percentage of gross spending of our Group and the advertisers may fluctuate and are reviewed and adjusted from time to time.

## RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I in this document:

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

### Non-HKFRS Measures

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

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

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

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

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| Profit for the year (*RMB'000)* | 24,321 | 18,474 | 45,659 |
| Adding back: [**REDACTED**] (*RMB'000)* | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Adjusted profit (*RMB'000)* | 24,412 | 29,863 | 50,394 |

## DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### Revenue

During the Track Record Period, our revenue was principally derived from the provision of branding, advertising and marketing solution services to our customers covering private enterprises, state-owned enterprises and government authorities in the PRC, which includes the provision of (i) branding services; (ii) traditional offline media advertising services; (iii) online media advertising services; (iv) event execution and production services; and (v) advertisement placement services (including rebate from media partner). For FY2020, FY2021 and FY2022, our revenue amounted to approximately RMB103.4 million, RMB157.6 million and RMB205.4 million, respectively.

***Breakdown of revenue by service type***

The table below sets forth the breakdown of our revenue and percentage contribution to our revenue by service type during the Track Record Period:

| | **FY2020** | | **FY2021** | | **FY2022** | |
|---|---|---|---|---|---|---|
| | | *Approximate % of total revenue* | | *Approximate % of total revenue* | | *Approximate % of total revenue* |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Branding services | 61,255 | 59.2 | 74,926 | 47.5 | 90,502 | 44.1 |
| Traditional offline media advertising services | 8,466 | 8.2 | 4,083 | 2.6 | 2,204 | 1.1 |
| Online media advertising services | 18,465 | 17.9 | 46,196 | 29.3 | 48,145 | 23.4 |
| Event execution and production services | 15,258 | 14.7 | 32,432 | 20.6 | 41,380 | 20.1 |
| Provision of advertisement placement services | – | – | – | – | 14,789 | 7.2 |
| Rebate from media partner | – | – | – | – | 8,421 | 4.1 |
| **Total** | **103,444** | **100.0** | **157,637** | **100.0** | **205,441** | **100.0** |

During the Track Record Period, branding services represented our largest service component by revenue. We provided branding services to our customers covering enterprises in a number of industries such as brewing, healthcare food production, automobile manufacturing, household essentials manufacturing, tourism and beauty-care, where we were responsible for conducting market research through collaboration with research institutes, composing branding positioning analysis and formulating customised brand building and marketing proposals in various areas, including corporate brand building, product and/or services positioning, marketing, public relation strategies and media plan, with an aim to improve and enhance brand reputation for our customers. Our revenue was primarily based on a cost-plus basis depending on our estimated costs incurred according to the service scope, project duration and customers' requirements which may vary from projects to projects.

During the Track Record Period, our traditional offline media advertising services were mainly categorised as (i) TV advertising, where we were primarily responsible for placing advertisements for customers through our resources at various national and provincial TV station operators in the PRC; (ii) radio advertising, where we were primarily responsible for assisting our customers to place their advertisements during the advertising timeslots of the radio channels or during the radio programmes; and (iii) outdoor advertising, where we were primarily responsible for identifying and placing advertisements on various outdoor platforms, such as billboards, advertising space at bus stop and public transport hubs. In general, the contents of the advertisements in this segment are provided by our customers and our revenue was generated from the provision of the aforesaid services in return for a service fee.

We commenced online media advertising services since 2018. Our online media advertising services were mainly categorised as (i) display advertising, where the content of advertisements are displayed on websites, apps or other online media platforms in various formats which primarily includes text, images, video and audio; and (ii) search engine advertising, where name, brand and/or product of the advertisers will appear on the website's search results when the customers have entered the relevant keywords. During the Track Record Period, while the contents of the online advertisements were normally provided by our customers, our revenue was primarily generated from the distribution and placement of marketing contents such as advertorials, articles and video chips on online media platforms which mainly included websites and social media platforms in return for a service fee. In FY2022, we provided some online media advertising services to the Four Advertising Agents and revenue from which were recognised on a net basis since we did not act as a principal when we provided the online media advertising services, primarily attributable to that (i) our Group was not primarily responsible for fulfilling the promise to provide the online media advertising service; and (ii) the Group did not have inventory risk before and after the online media advertising services has been transferred to the customers.

We further expanded the scope of our online media advertising services and started to provide the provision of advertisement placement services in FY2022. Our provision of advertisement placement services comprise formulation of online advertisement placement plan, creation and production of online advertisement contents, operation of the customer's account and placement of online advertisements on the online media platforms, injection of funds to the customer's account on the online media platforms and advertisements performance monitoring and optimisation for our customers. As compared to our other business segments, we have limited control over the provision of advertisement placement services we provided, which was primarily because (i) the service scope is restricted to those as requested by our customers; (ii) the final decisions of selecting the types of platforms on the Media Supplier for advertisements placements are determined by our customers, rather than by us; and (iii) our customers have full discretion to determine and are wholly responsible for the advertisement expenditures and consumption during the course of advertisement placement, and the relevant prices of the expenditure and consumption are determined by the platform. Given the limited control of our Group over the provision of such services, we considered our Group only acted as an agent instead of a principal to provide such services and the revenue generated from the provision of advertisement placement services (including rebates from media partner) was recognised on a net basis. Therefore, the revenue for the provision of our advertisement placement services generated from our customers including the brand owners and advertisers and advertising agents will be offset with the costs paid by us to the Media Supplier related to these transactions and was recognised on a net basis in our consolidated statement of profit or loss, according to HKFRS 15. Under this arrangement, the Media Supplier may also grant us rebates which were recorded as revenue under a net basis in our consolidated statement of profit or loss.

During the Track Record Period, our event execution and production services were mainly categorised as (i) event execution, where we are primarily responsible for organising and implementing social campaigns and activities by means of both online and offline activities, which typically ranges from exhibitions, conferences, roadshows, online forums and social networking services platform; and (ii) event production, where we generally engage Independent Third Parties for production of the content and implementation of the process. Our revenue was primarily based on a cost-plus basis according to the costs on procuring materials and services which may vary from projects to projects.

For detailed descriptions of each of the service type, please refer to the section headed "Business – Our principal business" in this document.

According to F&S, the following tables below set forth (i) the growth rate of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in each of the four types of advertising services from FY2020 to FY2022; and (ii) the industry growth rate of the healthcare food production, automobile manufacturing, medicine manufacturing and advertising industries in the PRC from FY2020 to FY2022:

**Growth rate of the total expenditure of brand owners or advertisers in the PRC in each of the four types of advertising services from FY2020 to FY2022**

| | FY2020 to FY2021 | FY2021 to FY2022 |
|---|---|---|
| Branding services | +25.0% | -5.0% |
| Traditional offline media advertising services | +5.2% | -6.7% |
| Online media advertising services (including provision of advertisement placement services) | +19.3% | -6.3% |
| Event execution and production services | +8.5% | -2.2% |

**Growth rate of the total expenditure of brand owners or advertisers in Hubei Province in each of the four types of advertising services from FY2020 to FY2022**

| | FY2020 to FY2021 | FY2021 to FY2022 |
|---|---|---|
| Branding services | +19.4% | -2.3% |
| Traditional offline media advertising services | +3.6% | -13.3% |
| Online media advertising services (including provision of advertisement placement services) | +22.1% | -2.2% |
| Event execution and production services | +8.7% | -6.5% |

For the comparison between the growth rate of the total expenditures of brand owners or advertisers in the PRC and Hubei and those of our Group in each of the four types of advertising services from FY2020 to FY2022, please refer to the paragraphs below headed "FY2021 vs FY2020" and "FY2022 vs FY2021" in this section.

**Industry growth rate of the healthcare food production, automobile manufacturing and medicine manufacturing industries in the PRC from FY2020 to FY2022**

| | FY2020 to FY2021 | FY2021 to FY2022 |
|---|---|---|
| Healthcare food production industry | +8.3% | +10.4% |
| Automobile manufacturing industry | +6.2% | +6.3% |
| Medicine manufacturing industry | +18.6% | -3.4% |
| Advertising industry | +15.2% | -6.4% |

For the comparison between the growth rate of healthcare food production, automobile manufacturing, medicine manufacturing and advertising industries in the PRC and those of our Group from FY2020 to FY2022, please refer to the paragraphs below headed "Breakdown of revenue by industries of customers" in this section.

According to Frost & Sullivan, the penetration rate of internet in China increased from approximately 55.5% to 75.6% during the period from 2017 to 2022, and is expected to reach 89.7% by the end of 2026.

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*FY2021 vs FY2020*

*Overall*

Our revenue increased from approximately RMB103.4 million for FY2020 to approximately RMB157.6 million for FY2021, primarily attributable to the increase in revenue from the provision of branding services, online media advertising services and event execution and production services as a result of the growing market demand for our branding, advertising and marketing services and the increase in the number of new customers in FY2021, which were partially offset by the decrease in revenue from the provision of traditional offline media advertising services as a result of the Group's strategy to focus on online media advertising services. According to Frost & Sullivan, after the outbreak of COVID-19 in FY2020, the branding, advertising and marketing solution service market experienced a rapid industry growth mainly because some small-sized service providers were not able to survive due to the impact of the epidemic, which provided more business potentials and opportunities for those renowned service providers with sufficient experiences and strong capabilities. In addition, as affected by the outbreak of COVID-19, more enterprises in the PRC generally prefer the one-stop service providers for its advertising as they can effectively reduce the costs of communicating and managing with various service providers.

*(i) Branding services*

For FY2020 and FY2021, our revenue generated from branding services represented approximately 59.2% and 47.5% of our total revenue, respectively. As compared to FY2020, the decrease in revenue contribution of branding services out of our total revenue for FY2021 was primarily attributable to the increasing revenue contribution of online advertising services and event execution and production services.

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

In FY2021, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in branding services were approximately 25.0% and 19.4%, respectively, and our Group's revenue growth in branding services was higher than the industry growth rates in the PRC and Hubei Province, mainly due to higher demand from our Group's recurring customers, which recognised the Group's branding services, which can strengthen its own brand competitiveness and reassess their brand positioning, obtain latest market data and customise marketing strategies from time to time. The branding services revenue generated from our Group's recurring customers increased from approximately RMB38.2 million for FY2020 to approximately RMB60.1 million for FY2021, representing an increase of revenue of approximately 57.6%.

*(ii) Traditional offline media advertising services*

For FY2020 and FY2021, our revenue generated from traditional offline media advertising services represented approximately 8.2% and 2.6% of our total revenue, respectively. As compared to FY2020, the decrease in revenue contribution of traditional offline media advertising services out of our total revenue for FY2021 was primarily attributable to the fact that less customers selected to place advertisements through traditional offline media.

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

*(iii) Online media advertising services*

For FY2020 and FY2021, our revenue generated from online media advertising services represented approximately 17.9% and 29.3% of our total revenue, respectively. As compared to FY2020, the increase in revenue contribution of online media advertising services out of our total revenue for FY2021 was primarily attributable to the increasing popularity of online media in the PRC.

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

Further, for FY2021, the amount of revenue from follow-up engagements for online advertising services amounted to approximately RMB22.3 million, which had further contributed to the increase in our revenue for online advertising advertising services in FY2021.

According to F&S, in FY2021, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in online media advertising services are approximately 19.3% and approximately 22.1%, respectively. In FY2021, our Group's revenue growth in online media advertising services was much larger than industry growth rates in the PRC and Hubei Province, mainly driven by (i) securing the new customers to engage our Group's online media advertising services, which was evidenced by the increase in number of new customers from 2 in FY2020 to 24 in FY2021 and the revenue from new customers increased from approximately RMB7.5 million in FY2020 to approximately to RMB20.4 million in FY2021, representing an increase in revenue of approximately 170.7%; and (ii) the increase in demand for certain recurring customers as a result of the increase in their advertising budget and promoting their e-commerce business.

*(iv) Event execution and production services*

For FY2020 and FY2021, our revenue generated from event execution and production services represented approximately 14.7% and 20.6% of our total revenue, respectively.

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; (ii) the increase in average contract sum of our event execution and production projects in FY2021; and (iii) emergence of the integration of new media which covered scene activities, online media and other marketing methods. According to Frost &

Sullivan, in 2021, the economic activities and public transport services were basically resumed in China, and scene activities, such as cultural events, exhibitions and conferences resumed normal operations. Therefore, the rapid recovery of offline scene activities in 2021 drove the rapid growth of event execution and production service market in the PRC. According to Frost & Sullivan, in view of the integration of various new media becoming popular in recent years, the advertisers will select different means of marketing such as scene activities and internet marketing to implement an effective marketing campaign. As a result, the number of projects increased from 58 in FY2020 to 101 in FY2021 and average revenue per project increased from approximately RMB263,000 in FY2020 to approximately RMB321,000 in FY2021.

According to F&S, in FY2021, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in event execution and production services are approximately 8.5% and approximately 8.7%, respectively. Our Group's revenue growth in event execution and production services in FY2021 was much larger than industry growth rates in the PRC and Hubei Province, mainly driven by (i) securing the new customers to engage our Group's event execution and production services, which was evidenced by the increase in number of new customers from 7 in FY2020 to 30 in FY2021 and the revenue from new customers increased from approximately RMB0.3 million in FY2020 to approximately RMB6.6 million in FY2021; and (ii) the increase in demand for certain recurring customers as they engaged our Group to organise more scene activities, resulting in the increase in revenue from approximately RMB15.0 million in FY2020 to approximately RMB25.8 million in FY2021, representing an increase of approximately 72.6% in FY2021.

*FY2022 vs FY2021*

*Overall*

Our revenue increased from approximately RMB157.6 million for FY2021 to approximately RMB205.4 million for FY2022, primarily attributable to the increase in revenue from the provision of online media advertising services, branding services, event execution and production services and provision of advertisement placement services (including rebates from media partner) as a result of the growing market demand for our branding, advertising and marketing services, which were partially offset by the decrease in revenue from the provision of traditional offline media advertising services as a result of the Group's strategy to focus on online media advertising services and provision of advertisement placement services. According to the National Bureau of Statistics, online retail sales in the PRC increased to approximately RMB13,785.3 billion in 2022 from approximately RMB7,175.1 billion in 2017, representing a CAGR of approximately 14.0%. The growth of online retail sales in the PRC stimulated more customers to select our online media advertising services and provision of advertisement placement services to place advertisements to boost up their sales. For FY2022, we generated revenue of approximately RMB23.2 million from our new revenue stream of advertisement placement services (including rebates from media partner) and our revenue from online media advertising services increased from approximately RMB46.2 million for FY2021 to approximately RMB48.1 million for FY2022. According to Frost & Sullivan, more small and medium enterprises gradually began to focus on strengthening and rebuilding own brand competitiveness to enhance their customer royalty. Such demand continued to increase in FY2022, thus our revenue for branding services increased from approximately RMB74.9

million for FY2021 to approximately RMB90.5 million for FY2022. According to Frost & Sullivan, in 2022, the economic activities and public transport services were substantially resumed in China and the scene activities, such as cultural events, exhibitions and conferences resumed normal operations. According to Frost & Sullivan, in view of the integration of various new media becoming popular in recent years, the advertisers will select different means of marketing such as scene activities, online media and other marketing methods to implement an effective marketing campaign. As such, the demand for our event execution and production services increased and our revenue for event execution and production services increased from approximately RMB32.4 million for FY2021 to approximately RMB41.4 million for FY2022.

*(i) Branding services*

For FY2021 and FY2022, our revenue generated from branding services represented approximately 47.5% and 44.1% of our total revenue, respectively. As compared to FY2021, the decrease in revenue contribution of branding services out of our total revenue for FY2022 was primarily attributable to the new revenue stream of provision of advertisement placement services.

Our revenue generated from branding services increased from approximately RMB74.9 million for FY2021 to approximately RMB90.5 million for FY2022, primarily attributable to the increase in the number of branding services projects from 76 in FY2021 to 89 in FY2022. Our Directors believe that such increase was mainly attributable to the growing market demand for our branding services and the increase in revenue contribution of recurring customers as they recognised our branding services which can enhance their brands and increase its competitiveness.

According to F&S, in FY2022, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in branding services were approximately -5.0% and approximately -2.3%, respectively. Our Group's revenue growth rate in branding services in FY2022 was much higher than industry growth rates in the PRC and Hubei Province, mainly driven by (i) our capability to provide diversified services; and (ii) the characteristics of our customer types. According to F&S, despite the economic downturn and decrease in the overall branding and advertising service market in 2022, some market players with the strong capabilities to provide diversified services (i.e. both one-stop services and single category of services) can secure more business from their existing customers in 2022. In addition, according to F&S, under the economic downturn circumstances, small and medium-sized private enterprises are inclined to conduct marketing strategies to improve their operating and financial conditions, which can stimulate their demands for branding services, advertising services or marketing solution services while large enterprises generally have a greater ability to withstand risk against low profitability they chose to cut their marketing budget at this time. Firstly, since our services are diversified, our recurring customers prefer to select us as their supplier with various service offerings to meet their diversified advertising needs. Our recurring customers approached us to provide branding services and then follow-up engagements on other services segments in FY2022. Secondly, over 70% of our customers in FY2022 are private enterprises which are inclined to use our branding strategies to improve their operating and financial conditions, which was evidenced by the increase in revenue of branding services from our recurring customers from approximately RMB60.1 million for FY2021 to RMB78.3 million for FY2022. As a result, the revenue of our branding services increased from approximately RMB74.9 million in FY2021 to approximately RMB90.5 million in FY2022, representing an increase of approximately 20.8% in FY2022.

*(ii) Traditional offline media advertising services*

For FY2021 and FY2022, our revenue generated from traditional offline media advertising services represented approximately 2.6% and 1.1% of our total revenue, respectively. As compared to FY2021, the decrease in revenue contribution of traditional offline media advertising services out of our total revenue for FY2022 was primarily attributable to the fact that fewer customers selected to place advertisements through traditional offline media, which is an industry norm as confirmed by Frost & Sullivan.

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

*(iii) Online media advertising services*

For FY2021 and FY2022, our revenue generated from online media advertising services represented approximately 29.3% and 23.4% of our total revenue, respectively. As compared to FY2021, the increase in revenue contribution of online media advertising services out of our total revenue for FY2022 was primarily attributable to the increasing popularity of online media in the PRC.

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

According to F&S, in FY2022, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in online media advertising services were approximately -6.3% and approximately -2.2%, respectively. Our Group's revenue growth rate in online media advertising services in FY2022 was higher than industry growth rates in the PRC and Hubei Province, mainly driven by our solid relationships with media suppliers. According to F&S, media resources are relatively concentrated and the quality media resources have already been occupied by leading advertising services providers. Therefore, solid relationships with media suppliers made some advertising service providers stand out among industry peers and achieve revenue growth against the negative industry growth in 2022. In FY2022, the increase in our revenue from online media advertising services was mainly attributable to the revenue contribution from new advertising agents. In 2022, we continued to maintain close business relationship with various popular online media platforms (i.e. our advertising resources providers), and such solid relationships with them enable us to increase the attractiveness of our services to customers (including the new advertising agents) and achieve revenue growth. As a result, the revenue of our branding services increased from approximately RMB46.2 million in FY2021 to approximately RMB48.1 million in FY2022, representing an increase of approximately 4.1% in FY2022.

*(iv) Event execution and production services*

For FY2021 and FY2022, our revenue generated from event execution and production services represented approximately 20.6% and 20.1% of our total revenue, respectively. As compared to FY2021, the decrease in revenue contribution of event execution and production services to our total revenue for FY2022 was primarily due to new revenue stream generated from advertisement placement services (including rebates from media partner).

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 from approximately RMB25.8 million in FY2021 to approximately RMB38.6 million in FY2022 and the increase in our average revenue per project from approximately RMB321,000 in FY2021 to approximately RMB445,000 in FY2022 as a result of (i) the post-COVID recovery of the economic activities, public transport services and scene activities in the PRC in FY2022; and (ii) the increasing demand for combining different means of marketing such as scene activities and internet marketing to implement an effective marketing campaign.

According to F&S, in FY2022, the growth rates of the total expenditure of brand owners or advertisers in the PRC and Hubei Province in events execution and production services were approximately -2.2% and approximately -6.5%, respectively. Our Group's revenue growth rate in events execution and production services in FY2022 was much higher than industry growth rates in the PRC and Hubei Province, mainly driven by (i) our capability to provide diversified services; and (ii) the characteristics of our customer types. Firstly, since our services are diversified, our recurring customers prefer to select us as their supplier with various service offerings to meet their needs. Our recurring customers approached us to provide branding services and then diversified advertising follow-up engagements on other services segments including event execution and production services in FY2022. Secondly, over 70% of our customers in FY2022 are private enterprises which are inclined to use our different means of marketing strategies to improve their operating and financial conditions, which was evidenced by the increase in revenue of event execution and production services from our recurring customers from approximately RMB25.8 million for FY2021 to approximately RMB38.6 million for FY2022. As as result, the revenue of our event execution and production services increased from approximately RMB32.4 million in FY2021 to approximately RMB41.4 million in FY2022, representing an increase of approximately 27.6% in FY2022.

*(v) Advertisement placement services (including rebates from media partner)*

We commenced to provide the provision of advertisement placement services in FY2022 and hence no revenue was generated from this segment in FY2021. For FY2022, we generated revenue of approximately RMB23.2 million from the provision of advertisement placement services (including rebates from media partner), which represented approximately 11.3% of our total revenue. The revenue was primarily attributable to the cooperation agreement entered into between us and the Media Supplier, pursuant to which we can place online advertisements on the various online media platforms operated by the Media Supplier. For details of the various online media platforms operated by the Media Supplier, please refer to the section headed "Business – Our principal business – Provision of advertisement placement services (including rebates from media partner)" in this Document. Through this cooperation, we could provide the provision of advertisement placement services based on requests of our customers and we recruited a total of 87 new customers in FY2022, which contributed revenue of approximately RMB23.2 million.

According to F&S, due to fierce competition in the market, some market players have been striving to expand their service scope, such as the advertisement placement services (including short video advertisements) to provide more choices for the customers and meet their diversified needs as well as enrich their revenue sources. Some advertising agents, who are new to this field, would like to choose to work with some experienced online media advertising service providers like us with specific online advertising strengths, such as solid relationships with media suppliers. As a result of our solid relationships with the Media Supplier and our professional operation team, we experienced rapid growth in the provision of advertisement placement services (including rebates from media partner) in FY2022 against the negative industry growth in 2022.

***Breakdown of revenue by customer type***

During the Track Record Period, our customers include brand owners and advertisers and the advertising agents in the PRC. The following table sets out a breakdown of the revenue by customer type during the Track Record Period:

| | FY2020 | | FY2021 | | FY2022 | |
|---|---|---|---|---|---|---|
| | | *Approximate % of total revenue* | | *Approximate % of total revenue* | | *Approximate % of total revenue* |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| **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** |

During the Track Record Period, our revenue from brand owners and advertisers represented our principal component by customer type.

During FY2020 and FY2021, the contribution as percentage in the total revenue by brand owners and advertisers remained relatively stable at approximately 94.0% and 93.8%, respectively. Due to the cooperation agreement entered into between us and the Media Supplier and the commencement of the business relationship with a new advertising agent in 2022, more advertising agents approached us for the provision of advertisement placement services to place advertisements on the various online media platforms operated by the Media Supplier and other third-party online media platforms for their customers for FY2022. Therefore, revenue contribution of advertising agents increased from approximately 6.2% for FY2021 to approximately 21.8% for FY2022. Due to the significant increase in revenue attributable to advertising agents, while the amount of revenue generated from brand owners and advertisers increased in FY2022 as compared to the prior year, their contribution as percentage to total revenue decreased from approximately 93.8% for FY2021 to approximately 78.2% for FY2022.

*FY2021 vs FY2020*

*Brand owners and advertisers*

Our revenue generated from brand owners and advertisers increased from approximately RMB97.2 million for FY2020 to approximately RMB147.9 million for FY2021, primarily attributable to (i) the gradual recovery of the advertising market in the PRC following the effective control of COVID-19 with the increased advertising and marketing budgets of brand owners and advertisers; and (ii) new brand owners and advertisers engaged us as a result of our enhanced sales efforts. Our five largest customers for FY2021 were private enterprises from the automobile manufacturing, healthcare food production, health and beverage industries. In particular, during FY2021, revenue contribution by Customer E, Customer F and Customer D increased by approximately RMB2.8 million, RMB8.2 million and RMB0.2 million, respectively.

*Advertising agents*

Our revenue generated from advertising agents slightly increased from approximately RMB6.2 million for FY2020 to approximately RMB9.8 million for FY2021, primarily attributable to the increase in the number of advertising agents which engaged us as a result of our Group's strategy to expand the online media advertising services.

*FY2022 vs FY2021*

*Brand owners and advertisers*

Our revenue generated from brand owners and advertisers increased from approximately RMB147.9 million for FY2021 to approximately RMB160.7 million for FY2022, primarily attributable to (i) the continued increase in advertising and marketing budgets of recurring brand owners and advertisers to strengthen and rebuild their own brand competitiveness to enhance their customer royalty and increase their market share; and (ii) the engagements arising from the framework agreements entered in 2021, the details of which are set forth in the section headed "Business – Our Competitive Strengths – We have well-established business relationships with customers from diverse industries" in this document. The revenue from private enterprises increased for FY2022, mainly due to the same reasons as the increase in revenue from brand owners and advertisers as discussed above.

*Advertising agents*

Our revenue generated from advertising agents increased from approximately RMB9.8 million for FY2021 to approximately RMB44.8 million for FY2022, primarily attributable to the increase in revenue generated from new advertising agents which approached us for the provision of advertisement placement services to place the online advertisements of their customers on the online media platforms operated by the Media Supplier and/or other third parties. In particular, four new advertising agents approached us for the provision of advertisement placement services to place advertisements for its customers on the online media platform operated by third-party online platforms, which contributed revenue of approximately RMB9.1 million for FY2022. Aside from the contribution from these advertising agents, the increase in revenue generated from advertising agents was primarily attributable to (i) the revenue of approximately RMB23.2 million generated from other new online advertising agents which approached us for the provision of advertisement placement services on the online media platforms operated by the Media Supplier; and (ii) the increase in demand for online media advertising services from the end-customers of other online advertising agents.

***Breakdown of revenue by industries of customers***

During the Track Record Period, our customers were from different industries. The following table sets out a breakdown of revenue by industries of customers during the Track Record Period:

| | **FY2020** | | **FY2021** | | **FY2022** | |
|---|---|---|---|---|---|---|
| | | *Approximate % of total revenue* | | *Approximate % of total revenue* | | *Approximate % of total revenue* |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| – 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 *(Note 1)* | 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 *(Note 2)* | 183 | 0.2 | 2,809 | 1.7 | 4,431 | 2.2 |
| **Total** | **103,444** | **100.0** | **157,637** | **100.0** | **205,441** | **100.0** |

*Notes:*

1. Health mainly included plastic surgery hospitals.

2. Others primarily represented customers from various industries such as transportation and water supply.

During the Track Record Period, the revenue contribution from customers engaging in medical, aesthetic medical or similar businesses, such as medicine manufacturing and health industries for each of the year during the Track Record Period was approximately RMB5.0 million, RMB18.1 million and RMB21.1 million, respectively, representing approximately 4.8%, 11.5% and 10.2% of our total revenue, respectively.

*FY2021 vs FY2020*

During the two years ended 31 December 2021, customers from industries including health, retail, food production, real estate development, metal products manufacturing, and education in aggregate accounted for approximately 0.8% and 23.0% to our total revenue, respectively. In general, the increasing revenue contribution in these industries for FY2021 as compared to FY2020 was primarily attributable to (i) enhanced efforts of our sales team to secure new customers in these industries, for instance, a real estate developer, a snack retailer, and a braised duck-related casual food manufacturer, which contributed revenue of approximately RMB2.9 million, RMB3.0 million, and RMB3.1 million for FY2021, respectively; (ii) the increase in revenue from our existing major customers in these industries, for instance, revenue from an e-commerce retailer and Customer F of approximately RMB4.1 million and RMB8.2 million, respectively, mainly due to their increased marketing budgets in order to expand their market shares and the increased number of Follow-up Engagements as a result of the provision of branding services to these customers; and (iii) the continued increase in market demand on the products and services of certain industries in FY2021 after the effective control of COVID-19, such as health and retail in the PRC. Following the ease of the travel and lockdown restrictions, tourism and automobile manufacturing industry generally resumed to normal in FY2021. Thus, our Group focused on liaising and communicating with these corporate clients to discuss their marketing plans and advertising strategies for facilitating their advertising plan in 2021.

On the other hand, there was a substantial decrease in revenue from household essentials manufacturing, healthcare food production and agricultural and related food processing industries for FY2021, primarily as a result of the decrease of our revenue from (i) Hubei Lianle Bedding Group Company Limited (湖北聯樂床具集團有限公司) (a top 5 customer for FY2020 and FY2022) of approximately RMB2.1 million, primarily attributable to lesser scope of services in the advertising plan; (ii) Customer A of approximately RMB9.4 million, primarily attributable to the reduction in the scope of branding services; (iii) Guangdong Chu Bang Food Company Limited (廣東廚邦食品有限公司), a manufacturer of condiments in the PRC, of approximately RMB3.4 million, because fewer advertisements were placed through TV advertising from this customer in view of the growing popularity of online media in the PRC; and (iv) a green food supplier, which is a subsidiary of a listed company on the Stock Exchange, of approximately RMB3.4 million, primarily attributable to the decrease in its promotional expenditures.

For FY2021, the increases in our Group's revenue from automobile manufacturing, medicine manufacturing and advertising industries were mainly due to the industry growths at the rates of approximately 6.2%, 18.6% and 15.2%, respectively, in FY2021 and our customers in these three industries have increased their marketing expenditure with an aim to expand business and increase market share. For the health food production industry, the industry growth rate was approximately 8.3% in FY2021 while our Group recorded a decrease in revenue from health food production industry in FY2021. It was mainly attributable to the decrease in the revenue generated from Customer A, which was engaged in healthcare food aspects. Such decrease was mainly due to the reduction in scope of our branding services provided to Customer A in FY2021.

*FY2022 vs FY2021*

For FY2021 and FY2022, customers from advertising industry accounted for approximately 5.6% and 21.8% of our total revenue, respectively. The increasing revenue contribution from advertising industry for FY2022 was primarily attributable to the increase in demand from advertising agents for our provision of advertisement placement services to place advertisements for their customers on the online media platform operated by the Media Supplier.

At the same time, there was a drop in revenue contribution from beverage and tourism industries. The revenue contribution from the beverage industry decreased from approximately 16.5% for FY2021 to approximately 11.6% for FY2022, primarily attributable to the decrease in revenue generated from Customer C of approximately RMB3.0 million as a result of the decrease in its advertising budget for FY2022. The revenue contribution from tourism industry decreased from approximately 8.7% for FY2021 to approximately 4.5% for FY2022, as a result of the resurgence of COVID-19 in the PRC in 2022.

For FY2022, the increase in our Group's revenue from automobile manufacturing and health food production industries was mainly due to the industry growth at the rates of approximately 6.3% and 10.4%, respectively, in 2022 and our customers in these two industries have increased their marketing expenditure with an aim to expand business and increase market share. For the medicine manufacturing industry, the industry growth rate was approximately -3.4% in FY2022 while our Group recorded an increase in revenue from medicine production industry in FY2022. It was mainly attributable to the increase in the revenue generated from Customer G, which was engaged in manufacturing and sales of drugs. Such increase was mainly due to the increase in its advertising budget on online media advertising services. For the advertising industry, the industry growth rate was approximately -6.4% in FY2022 while our Group recorded an increase in revenue from advertising industry in FY2022. It was mainly attributable to the increase in demand from advertising agents for our provision of advertisement placement services to place advertisements for their customers on the online media platform operated by the Media Supplier.

**Cost of services**

Our cost of services represented the procurement of media dissemination services, cost of event related services provided by suppliers, transportation and travelling cost, creative production cost and direct labour cost. Our cost of services may vary significantly from project to project primarily depending on our budget, project format, the media platform or event location and commercial negotiations. The composition of our cost of services may also vary due to these factors.

***Breakdown of cost of services by service type***

The following table sets out a breakdown of our cost of services and percentage contribution to our total cost of services by service type during the Track Record Period:

| | FY2020 | | FY2021 | | FY2022 | |
|---|---|---|---|---|---|---|
| | | *Approximate % of total cost of services* | | *Approximate % of total cost of services* | | *Approximate % of total cost of services* |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Branding services | 27,528 | 45.5 | 35,707 | 35.7 | 40,330 | 39.5 |
| Traditional offline media advertising services | 7,584 | 12.5 | 3,600 | 3.6 | 1,912 | 1.9 |
| Online media advertising services | 15,495 | 25.6 | 39,409 | 39.4 | 32,806 | 32.1 |
| Event execution and production services | 9,952 | 16.4 | 21,250 | 21.3 | 27,108 | 26.5 |
| **Total** | **60,559** | **100.0** | **99,966** | **100.0** | **102,156** | **100.0** |

*FY2021 vs FY2020*

For FY2020 and FY2021, branding services and online media advertising services still represented our two largest revenue streams, which in aggregate accounted for approximately 71.1% and 75.1% of our total cost of services for FY2020 and FY2021, respectively.

Our total cost of services increased from approximately RMB60.6 million for FY2020 to approximately RMB100.0 million for FY2021, primarily attributable to the increase in our cost of services of branding services, online media advertising services and event execution and production services as a result of the increase in revenue from these segments.

*FY2022 vs FY2021*

For FY2021 and FY2022, branding services and online media advertising services in aggregate accounted for approximately 75.1% and 71.6% of our total cost of services, respectively. For provision of advertisement placement services (including rebates from media partner) and some of our online media advertising services provided to four new advertising agents, our Group recognised revenue on a net basis and hence, we did not record any costs under these services.

Our total cost of services increased from approximately RMB100.0 million for FY2021 to approximately RMB102.2 million for FY2022, primarily attributable to the increase in our cost of services of branding services, online media advertising services, and event execution and production services as a result of the increase in revenue from these segments.

***Breakdown of cost of services by nature***

The following table sets out breakdown of our cost of services and percentage contribution to our total cost of services by nature during the Track Record Period:

| | FY2020 | | FY2021 | | FY2022 | |
|---|---|---|---|---|---|---|
| | | *Approximate % of total cost of services* | | *Approximate % of total cost of services* | | *Approximate % of total cost of services* |
| | *RMB'000* | *(%)* | *RMB'000* | *(%)* | *RMB'000* | *(%)* |
| Branding services – third-party research expenses | 15,842 | 26.2 | 17,031 | 17.0 | 22,522 | 22.0 |
| Branding services – third party design and production costs | 8,323 | 13.7 | 13,658 | 13.7 | 11,661 | 11.4 |
| Traditional offline media advertising services | 7,584 | 12.5 | 3,600 | 3.6 | 1,911 | 1.9 |
| Online media advertising services | 15,495 | 25.6 | 39,409 | 39.4 | 32,806 | 32.1 |
| Event execution and production services | 9,130 | 15.1 | 20,133 | 20.2 | 25,968 | 25.5 |
| Direct staff costs | 3,363 | 5.6 | 5,018 | 5.0 | 6,147 | 6.0 |
| Rental expenses | 822 | 1.3 | 1,117 | 1.1 | 1,141 | 1.1 |
| | **60,559** | **100.0** | **99,966** | **100.0** | **102,156** | **100.0** |

Costs of branding services primarily represented (i) our staff costs which were directly attributable to the provision of branding services; (ii) third-party research expenses paid to research institutes and marketing research companies for conducting market research; and (iii) costs incurred in third-party content production houses and design companies. During the Track Record Period, the fluctuation of cost contribution of branding services out of our total cost of services, including third-party research expenses and third-party design and production costs, was primarily attributable to the increasing cost attribution of online media advertising services and event execution and production services.

Costs of traditional offline media advertising services and online media advertising services primarily represented procurement costs payable to broadcasting media platforms covering TV, online video platforms, new media and outdoor platforms for securing various online and offline media advertising resources. The fluctuation of balances was primarily attributable to the change in revenue in both segments during the Track Record Period.

Costs of event execution and production services primarily represented third-party costs incurred in organising and hosting marketing events and activities, which generally comprised (i) venue rental expenses; (ii) equipment rental and promotional material purchase costs; and (iii) production of marketing contents costs. The increase in balances were in line with the increase in revenue of the business segment.

***Sensitivity and breakeven analysis of cost of services***

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of services on our profit before income tax expense and net profit during the Track Record Period, which is calculated by using the respective effective tax rate during the Track Record Period and holding other variables constant. Our cost of services was approximately RMB60.6 million, RMB100.0 million and RMB102.2 million for FY2020, FY2021 and FY2022, respectively. Fluctuations are assumed to be 5%, 10%, 15%, 20% and 30% for FY2020, FY2021 and FY2022, respectively.

| **Changes in our cost of services** | **+30%** | **+20%** | **+15%** | **+10%** | **+5%** | **-5%** | **-10%** | **-15%** | **-20%** | **-30%** |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Decrease)/ Increase in profit before income tax expense for FY2020 | (18,168) | (12,112) | (9,084) | (6,056) | (3,028) | 3,028 | 6,056 | 9,084 | 12,112 | 18,168 |
| (Decrease)/ Increase in profit before income tax expense for FY2021 | (29,990) | (19,993) | (14,995) | (9,997) | (4,998) | 4,998 | 9,997 | 14,995 | 19,993 | 29,990 |
| (Decrease)/ Increase in profit before income tax expense for FY2022 | (30,647) | (20,431) | (15,323) | (10,216) | (5,108) | 5,108 | 10,216 | 15,323 | 20,431 | 30,647 |
| (Decrease)/ Increase in profit for FY2020 | (14,888) | (9,926) | (7,444) | (4,963) | (2,481) | 2,481 | 4,963 | 7,444 | 9,926 | 14,888 |
| (Decrease)/ Increase in profit for FY2021 | (23,926) | (15,951) | (11,963) | (7,975) | (3,988) | 3,988 | 7,975 | 11,963 | 15,951 | 23,926 |
| (Decrease)/ Increase in profit for FY2022 | (25,163) | (16,775) | (12,581) | (8,388) | (4,194) | 4,194 | 8,388 | 12,581 | 16,775 | 25,163 |

For illustrative purposes, for FY2020, FY2021 and FY2022, it is estimated that we would achieve breakeven on our profit before income tax expense if our cost of services increased by approximately 48.5%, 23.2% and 54.5%, respectively, with all other variables remaining constant.

### Gross profit and gross profit margin

Gross profit represents the excess of revenue over cost of services. The following table sets forth the gross profit and gross profit margin by service type during the Track Record Period:

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

***Overall***

Our overall gross profit and gross profit margin for FY2020, FY2021 and FY2022 was affected by our cost of services, which were project specific and largely varied by our service mix, customised services we provided and scale of each project. Accordingly, our gross profit and gross profit margin may vary from projects to projects. During the Track Record Period, in general, we experienced an increase in gross profit as a result of our increase in revenue. For FY2020, FY2021 and FY2022, our gross profit amounted to approximately RMB42.9 million, RMB57.7 million and RMB103.3 million, respectively. Our gross profit margin was approximately 41.5%, 36.6% and 50.3% for FY2020, FY2021 and FY2022, respectively. The high gross profit margin for FY2020 was mainly attributable to the gross profit margin generated from the provision of branding services for FY2020. For FY2021, the decrease in our gross profit margin was mainly due to the increase in revenue contribution from online media advertising services and event execution and production services, which generally entailed relatively lower gross profit margins, as compared to that of branding services. For FY2022, our gross profit margin increased to approximately 50.3%, primarily attributable to (i) that we recognised revenue generated from our advertisement placement services (including rebates from media partner) on a net basis; and (ii) the increase in revenue from our branding services which entailed a higher gross profit margin. Excluding those revenue recognised on a net basis, our gross profit margin for FY2022 would be approximately 41.0%.

***(i) Branding services***

Our gross profit derived from branding services increased from RMB33.7 million for FY2020 and further increased to approximately RMB39.2 million for FY2021. We recorded gross profit derived from branding services of approximately RMB50.2 million for FY2022, respectively. It was generally in line with the increase in revenue generated from such services during the Track Record Period.

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

Our high gross profit margin of branding services was primarily attributable to the relatively lower costs incurred as compared to other business segments, since predominantly only our direct staff cost and third-party research expenses charged by the research institutes, instead of procurement costs of materials and media platforms, were incurred in the operation process of branding services for each customised project.

***(ii) Traditional offline media advertising services***

Our gross profit derived from traditional offline media advertising services decreased from approximately RMB882,000 for FY2020 and further decreased to approximately RMB483,000 for FY2021 and RMB292,000 for FY2022, respectively, primarily attributable to the decrease in revenue generated from such services as a result of the general decrease in customers' demand in placing their advertisements on traditional offline media during the Track Record Period.

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

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

***(iii) Online media advertising services***

We have commenced the provision of online media advertising services since 2018. Our gross profit of online media advertising services increased from approximately RMB3.0 million for FY2020 to approximately RMB6.8 million for FY2021 and further increased to approximately RMB15.3 million for FY2022, which was generally in line with the increase in revenue generated from such services. In FY2022, we provided some online media advertising services to the Four Advertising Agents and revenue from which were recognised on a net basis since we did not act as a principal when we provided the online media advertising services, primarily attributable to that (i) our Group was not primarily responsible for fulfilling the promise to provide the online media advertising service; and (ii) the Group did not have inventory risk before and after the online media advertising services has been transferred to the customers.

In respect of these online media advertising services provided to the Four Advertising Agents, pursuant to the supplier agreements entered between us and the advertising resources providers (i.e. our suppliers), if our suppliers lose the right to place advertisement on the online media platforms, our suppliers shall refund the unutilised portion of the advertising fees to our Group, and the parties' obligations under the agreement shall then cease. On the other hand, pursuant to our agreements entered between us and the Four Advertising Agents, if we lose the right to place advertisement on the online media platforms, we shall refund the unutilised portion of the advertising fees to them, and the parties' obligations under the agreement shall then cease.

Based on the above, we have limited control over the provision of these online media advertising services. Our Group did not have primary responsibility to fulfil the promise to provide the services to the Four Advertising Agents as we are not required to continue providing services to them if we lose the right to place advertisement on the online media platforms. In addition, we did not have any inventory risk before and after the online media advertising services has been transferred to the customers since we did not own the advertising resources, given that our suppliers shall refund the unutilised portion of the advertising fees to our Group if our suppliers lose the right to place advertisement on the online media platforms and the obligations of us and suppliers under the agreement shall then cease.

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

***(iv) Event execution and production services***

Our gross profit derived from event execution and production services increased from RMB5.3 million for FY2020 to approximately RMB11.2 million for FY2021 and further increased to approximately RMB14.3 million for FY2022, primarily attributable to the general increase in revenue generated from such services during the Track Record Period.

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

***(v) Advertisement placement services (including rebates from media partner)***

For our advertisement placement services (including rebates from media partner), we recognised revenue on a net basis. As such, we did not record any cost in our cost of services and therefore the gross profit of these segments was the same as the revenue. We have limited control over the provision of advertisement placement services we provided, which was primarily because (i) the service scope is restricted to those as requested by our customers; (ii) the final decisions of selecting the types of platforms on the Media Supplier for advertisements placements are determined by our customers, rather than by us; and (iii) our customers have full discretion to determine and are wholly responsible for the advertisement expenditures and consumption during the course of advertisement placement, and the relevant prices of the expenditure and consumption are determined by the platform. Given the limited control of our Group over the provision of such services, we considered our Group only acted as an agent instead of a principal to provide such services and the revenue generated from the provision of advertisement placement services (including rebates from media partner) was recognised on a net basis. Therefore, the revenue for the provision of our advertisement placement services generated from our customers including the brand owners and advertisers and advertising agents will be offset with the costs paid to the Media Supplier related to these transactions and was recognised on net basis in our consolidated statement of profit or loss, according to HKFRS 15. Under this arrangement, the Media Supplier may also grant us rebates which were recorded as revenue under net basis in our consolidated statement of profit or loss.

During FY2022, the total amount of costs/fees payable by our customers to our Group mainly included (i) the deposits injected into the advertising platform of the Media Supplier for advertisement placement of approximately RMB174.0 million (net of taxes); and (ii) the service fee charged by us for our provision of advertisement placement services of approximately RMB20.9 million (net of taxes), which were offset by the rebates granted by us to our customers of approximately RMB4.4 million (net of taxes).

During FY2022, the gross amount of costs charged by the Media Supplier to us amounted to approximately RMB168.4 million.

The following table illustrates the reconciliation of our revenue recorded under advertisement placement services on a gross basis to that on a net basis for FY2022:

| | **FY2022** |
|---|---|
| | *RMB'000* |
| **Deposits injected into the advertising platform of the Media Supplier for advertisement placement** ***(Note 1)*** | **174,049** |
| Service fees charged by our Group *(Note 2)* | 20,915 |
| Less: Rebates granted by our Group to our customers *(Note 3)* | (4,400) |
| Less: Unrecognised revenue portion of the deposits injected into the advertising platform of the Media Supplier *(Note 4)* | (5,674) |
| **Revenue (on gross basis)** | **184,890** |
| Less: Costs charged by the Media Supplier | (168,375) |
| Rebates granted by the Media Supplier | 8,421 |
| Less: Other direct costs (salaries and depreciation) | (1,726) |
| **Revenue (on net basis)** | **23,210** |

*Notes:*

1. Such amount (net of taxes) represented (i) the deposits for advertisement placement costs paid by our customers to the Media Supplier through us; and (ii) the deposits paid by us on behalf of our customers to the Media Supplier for the advertisement placement costs before our customers settled our fees.

2. Such service fees (net of taxes) were equivalent to a certain percentage of the costs of advertisement placement on the online media platforms of the Media Supplier during FY2022. For details, please refer to the section headed "Business – Our principal business – Provision of advertisement placement services (including rebates from media partner) – Pricing models" in this Document.

3. Such amount (net of taxes) represented the rebates granted to the customers which was calculated based on the amount of deposits paid by the customers and which had been utlilised for advertisement placement costs.

   As disclosed in the section headed "Business – Our principal business – Provision of advertisement placement services (including rebates from media partner) – Pricing models" in this Document, the aggregate amount of rebates we granted to our customers was approximately RMB4.8 million, whereas the rebate was RMB4.4 million in the above table. The difference was mainly due to the effect of taxes.

4. Such amount represented the amount of deposits paid by our Group on behalf of our customers or the deposits paid by our customers through us to the Media Supplier but not yet utilised by our customers for advertisement placement as at 31 December 2022 (net of taxes).

## Other income

Our other income primarily consisted of (i) bank interest income; (ii) government grants; (iii) COVID-19-related rent concessions from lessors; and (iv) input value-added tax surplus deduction during the Track Record Period.

The table below sets forth a breakdown of our other income during the Track Record Period:

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other income:** | | | |
| Interest income | 11 | 372 | 149 |
| Government grants | 154 | 100 | 3 |
| COVID-19-related rent concessions from lessors | 821 | – | – |
| Input value-added tax surplus deduction *(Note a)* | 236 | 482 | 250 |
| Gain from the sales of office supplies | 50 | – | – |
| **Total** | **1,272** | **954** | **402** |

*Note a:* Input value-added tax ("**VAT**") surplus deduction represented additional 10% of VAT based on the input VAT amount for our purchase of services and equipment, which were used to offset the output VAT to determine the net VAT payable or receivable. Such 10% of VAT offsetting with the output VAT shall be recognised as other income, according to relevant regulations issued by the government authorities.

*FY2021 vs FY2020*

Our other income decreased from approximately RMB1.3 million for FY2020 to approximately RMB1.0 million for FY2021, primarily attributable to the absence of the COVID-19-related rent concessions from lessors of approximately RMB0.8 million in FY2020. Such decrease was partially offset by the increase in interest income of approximately RMB0.4 million as a result of a loan we granted to an Independent Third Party during the period from January 2021 to April 2021. Please refer to the details of the Loan in the paragraph headed "Risk factor – We may be subject to penalties from the PBOC or adverse judicial rulings as a result of making a loan to a third-party enterprise during the Track Record Period" in this document.

*FY2022 vs FY2021*

Our other income decreased from approximately RMB1.0 million for FY2021 to approximately RMB0.4 million for FY2022, primarily because of the absence of the interest income derived from a loan we granted to an Independent Third Party during the period from January 2021 to April 2021. For details of the loan, please refer to the paragraph headed "Risk factor – We may be subject to penalties from the PBOC or adverse judicial rulings as a result of making a loan to a third-party enterprise during the Track Record Period" in this document.

During the Track Record Period, the government grants primarily represented government subsidies we received from the local government as an incentive for our business development and there are no unfulfilled conditions attached to the government grant.

**Selling and marketing expenses**

Our selling and marketing expenses primarily comprised salaries, travelling expenses, entertainment expenses, office expenses, utilities, depreciation and other expenses during the Track Record Period.

The following table sets forth a breakdown of the key components of our selling and marketing expenses during the Track Record Period:

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries | 1,834 | 2,667 | 3,024 |
| Travelling expenses | 315 | 620 | 1,073 |
| Entertainment expenses | 242 | 587 | 1,077 |
| Office expenses | 114 | 420 | 634 |
| Utilities | – | 26 | 47 |
| Depreciation | 157 | 154 | 437 |
| Others | 1 | 127 | 114 |
| **Total** | 2,663 | 4,601 | 6,406 |

Our selling and marketing expenses increased from approximately RMB2.7 million for FY2020 to approximately RMB4.6 million for FY2021 and further increased to approximately RMB6.4 million for FY2022, primarily attributable to the increase in salaries, travelling expenses, entertainment expenses and depreciation which was in line with our business growth during the Track Record Period.

*FY2021 vs FY2020*

Our selling and marketing expenses increased from approximately RMB2.7 million for FY2020 to approximately RMB4.6 million for FY2021, primarily attributable to the increase in salaries, travelling expenses and entertainment expenses as a result of the business growth in FY2021.

Our salaries increased from approximately RMB1.8 million for FY2020 to approximately RMB2.7 million for FY2021, primarily attributable to the increase in both number and salaries of our sales team for the business expansion during the year.

Our travelling expenses and entertainment expenses increased from approximately RMB398,000 and RMB557,000 for FY2020, respectively to approximately RMB557,000 and RMB1,207,000 for FY2021, respectively due to the fact that more business trips were made to explore potential clients after the outbreak of COVID-19.

*FY2022 vs FY2021*

Our selling and marketing expenses increased from approximately RMB4.6 million for FY2021 to approximately RMB6.4 million for FY2022, mainly due to the increase in salaries, travelling expenses, entertainment expenses and depreciation as a result of the business growth in FY2022.

Our salaries increased from approximately RMB2.7 million for FY2021 to approximately RMB3.0 million for FY2022, primarily attributable to increase in both number and salaries of salesperson for the business expansion during the year.

Our travelling expenses and entertainment expenses increased from approximately RMB1.2 million for FY2021 to approximately RMB2.2 million for FY2022, which were in line with our business growth in FY2022.

Our depreciation increased from approximately RMB0.2 million for FY2021 to approximately RMB0.4 million for FY2022, mainly attributable to the depreciation of the three motor vehicles acquired in FY2022, which were used for business travels.

**Administrative expenses**

Our administrative expenses primarily comprised R&D expenses, salaries, travelling expenses, entertainment expenses, office expenses and depreciation during the Track Record Period.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| R&D expenses | 4,684 | 10,835 | 17,452 |
| Salaries | 1,889 | 2,342 | 2,811 |
| Depreciation | 2,472 | 3,074 | 4,532 |
| Amortisation | – | 1,090 | 1,165 |
| Travelling expenses | 331 | 668 | 970 |
| Entertainment expenses | 187 | 382 | 816 |
| Legal and professional fee | 19 | 678 | 218 |
| Rental and premise expenses | 9 | 7 | – |
| Promotion expenses | 214 | 224 | 456 |
| Office expenses | 293 | 407 | 805 |
| Utilities | 10 | 20 | 27 |
| [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Others | 123 | 421 | 292 |
| **Total** | 10,322 | 31,537 | 34,279 |

*FY2021 vs FY2020*

Our administrative expenses increased from approximately RMB10.3 million for FY2020 to approximately RMB31.5 million for FY2021, primarily attributable to the increase in [**REDACTED**], R&D expenses, salaries, depreciation and amortisation.

Our [**REDACTED**] mainly represented the legal and professional fees incurred for preparation of the [**REDACTED**] since the end of 2020.

Our R&D expenses increased from approximately RMB4.7 million for FY2020 to approximately RMB10.8 million for FY2021, primarily attributable to the increase in purchase of market data from the research institute (i.e. University A).

Our salaries increased from approximately RMB1.9 million for FY2020 to approximately RMB2.3 million for FY2021, primarily attributable to the increase in both number and salaries of administrative staff for the business expansion during the year.

Our depreciation increased from approximately RMB2.5 million for FY2020 to approximately RMB3.1 million for FY2021, primarily attributable to the addition of our leasehold improvements as a result of the decoration of our office premise in the second half of 2020.

Our amortisation represented the amortisation of our intangible assets which are our mobile application in the second half of 2020. The installation of such mobile application was completed in December 2020 and we commenced using it since the beginning of 2021.

*FY2022 vs FY2021*

Our administrative expenses increased from approximately RMB31.5 million for FY2021 to approximately RMB34.3 million for FY2022, primarily attributable to the increase in R&D expenses, salaries and depreciation, which were partially offset by the decrease in [**REDACTED**].

Our [**REDACTED**] decreased from approximately RMB11.4 million for FY2021 to approximately RMB4.7 million for FY2022, primarily due to more [**REDACTED**] were incurred in the early stage for preparation of the [**REDACTED**] during FY2021.

Our R&D expenses increased from approximately RMB10.8 million for FY2021 to approximately RMB17.5 million for FY2022, primarily attributable to the increase in development expenses for developing broadcasting equipment and accessories and improving the functions of the existing broadcasting equipment and accessories to cater for our provision of our advertisement placement services for approximately RMB10.0 million, which was partially offset by the decrease in development expenses for the information management systems and software. In FY2022, our Group has further expanded the scope of our online media advertising services and started to provide advertisement placement services. As a result, we recorded an increase in revenue of the provision of advertisement placement services (including the rebate from media partner) of approximately RMB23.2 million in FY2022. For the provision of advertisement placement services, we required some broadcasting equipment and accessories to design and produce short advertisement videos for our customers. We engaged a third-party service provider to improve the design and functions of our existing broadcasting equipment and accessories, so as to expand the functions of such equipment and accessories (such as, among others, mutiple angles filming, etc.) and enhance the efficiency of our production of short advertisement videos for our customers. These broadcasting equipment and accessories mainly included portable recording equipment, portable camera box and camera stand parts, etc.

Our salaries increased from approximately RMB2.3 million for FY2021 to approximately RMB2.8 million for FY2022, primarily attributable to the increase in both number and salaries of administrative staff for business expansion during the year.

Our depreciation increased from approximately RMB3.1 million for FY2021 to approximately RMB4.5 million for FY2022, primarily attributable to the addition of our leasehold improvements as a result of the decoration of our office premise in Macheng and a live room in Wuhan during the year.

**Finance costs**

The following table sets forth a breakdown of our finance costs during the Track Record Period:

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on borrowings | 110 | 439 | 1,281 |
| Interest on lease liabilities | 352 | 254 | 176 |
| **Total** | **462** | **693** | **1,457** |

Our finance costs primarily represented interest expenses on borrowings and interest expenses on lease liabilities.

Our finance costs increased from approximately RMB0.5 million for FY2020 to approximately RMB0.7 million for FY2021, primarily attributable to the increase in bank borrowings during the year.

Our finance costs increased from approximately RMB0.7 million for FY2021 to approximately RMB1.5 million for FY2022, primarily attributable to the increase in bank borrowings during the year.

**Income tax expense**

The following table sets forth a breakdown of our income tax expense during the Track Record Period:

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current year – PRC enterprise income tax | 4,382 | 4,139 | 8,802 |
| Deferred tax | 976 | 543 | 1,149 |
| **Total** | 5,358 | 4,682 | 9,951 |

Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

***(i) Hong Kong***

No provision for Hong Kong profits tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period.

***(ii) The PRC***

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulations of the Enterprise Income Tax Law, our PRC entities in the PRC are subject to a corporate income tax at a rate of 25% on the taxable income.

Preferential tax treatment is available to Huashi Media, as it was recognised as "High and New Technology Enterprise" (高新技術企業) and were entitled to a preferential tax rate of 15%.

***(iii) British Virgin Islands***

Pursuant to the rules and regulations of the British Virgin Islands, we are not subject to any income tax in the British Virgin Islands.

During the Track Record Period, we recorded income tax expenses of approximately RMB5.4 million, RMB4.7 million and RMB10.0 million, respectively. Our effective tax rates, representing income tax expense divided by profit before income tax expense, was approximately 18.1%, 20.2% and 17.9%, respectively.

During the Track Record Period, our effective tax rates were lower than the PRC statutory tax rate of 25%, primarily attributable to the entitlement of preferential tax rate of Huashi Media. Our effective tax rate increased from approximately 18.1% for FY2020, to approximately 20.2% for FY2021, primarily attributable to the increase in non-deductible [**REDACTED**] incurred in FY2021. Our effective tax rate decreased to approximately 17.9% for FY2022 as less non-deductible [**REDACTED**] were incurred in FY2022.

### Profit for the year

As a result of the foregoing, our profit for the year or period amounted to approximately RMB24.3 million, RMB18.5 million and RMB45.7 million during the Track Record Period, respectively. Our net profit margins, being profit for the year divided by our revenue, were approximately 23.5%, 11.7% and 22.2% during the Track Record Period, respectively.

## YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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**FY2020 compared to FY2021**

***Revenue***

Our revenue increased from approximately RMB103.4 million for FY2020 to approximately RMB157.6 million for FY2021, primarily attributable to the increase in revenue from branding services, online media advertising services and event execution and production services mainly 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. For the growing market demand of branding services, online media advertising services and event execution and production services in FY2021, please refer to the paragraphs headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue" in this section.

***Cost of services***

Our cost of services increased from approximately RMB60.6 million for FY2020 to approximately RMB100.0 million for FY2021, which was generally in line with our business growth.

***Gross profit and gross profit margin***

Our gross profit increased from approximately RMB42.9 million for FY2020 to approximately RMB57.7 million for FY2021, which was in line with our revenue growth.

Our gross profit margin decreased from approximately 41.5% for FY2020 to approximately 36.6% for FY2021, primarily attributable to the further decrease in revenue contribution of branding services from approximately 59.2% for FY2020 to approximately 47.5% for FY2021, as a result of the increase in revenue from online media advertising services and event execution and production services, which entailed relatively lower gross profit margins as compared to that of branding services.

***Other income***

Our other income decreased from approximately RMB1.3 million for FY2020 to approximately RMB1.0 million for FY2021, primarily attributable to the absence of the COVID-19-related rent concessions from lessors in FY2021, which was partially offset by the increase in interest income.

### *Selling and marketing expenses*

Our selling and marketing expenses increased from approximately RMB2.7 million for FY2020 to approximately RMB4.6 million for FY2021, primarily attributable to (i) the increase in salaries mainly due to the increase in both number and salaries of our salesperson during the year for business expansion; and (ii) the increase in travelling expenses and entertainment expenses due to the fact that more business trips were made to explore potential clients after the outbreak of COVID-19.

### *Administrative expenses*

Our administrative expenses increased from approximately RMB10.2 million for FY2020 to approximately RMB20.1 million for FY2021, primarily attributable to (i) the increase in R&D expenses due to the increase in purchase of market data from the research institute (i.e. University A); (ii) the increase in both number and salaries of administrative staff during the year for the business expansion; (iii) the increase in depreciation as a result of the increase in our leasehold improvement; and (iv) the increase in amortisation for our mobile application development.

### *Finance costs*

Our finance costs increased from approximately RMB0.5 million for FY2020 to approximately RMB0.7 million for FY2021, primarily attributable to the increase in bank borrowings during the year.

### *Income tax expense*

Our income tax expense decreased from approximately RMB5.4 million for FY2020 to approximately RMB4.7 million for FY2021, primarily attributable to the decrease in profit before tax expense.

### *Profit for the year*

As a result of the foregoing, our profit for the year decreased from approximately RMB24.3 million for FY2020 to approximately RMB18.5 million for FY2021.

## FY2021 compared to FY2022

### *Revenue*

Our revenue increased from approximately RMB157.6 million for FY2021 to approximately RMB205.4 million for FY2022, primarily attributable to the increase in revenue from the provision of branding services, online media advertising services, advertisement placement services (including rebates from media partner) and event execution and production services, which were partially offset by the decrease in revenue from the traditional offline media services. For the growing market demand of branding services, online media advertising services, provision of advertisement placement services and event execution and production services for FY2022, please refer to the paragraph headed "Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue" in this section.

### *Cost of services*

Our cost of services increased from approximately RMB100.0 million for FY2021 to approximately RMB102.2 million for FY2022, which was generally in line with our business growth.

### *Gross profit and gross profit margin*

Our gross profit increased from approximately RMB57.7 million for FY2021 to approximately RMB103.3 million for FY2022, which was in line with our revenue growth.

Our gross profit margin increased from approximately 36.6% for FY2021 to approximately 50.3% for FY2022. Excluding those revenue recognised on a net basis, our gross profit margin for FY2022 would be approximately 41.0%.

### *Other income*

Our other income decreased from approximately RMB1.0 million for FY2021 to approximately RMB0.4 million for FY2022, primarily attributable to the absence of interest income from a loan we granted to an Independent Third Party during the period from January 2021 to April 2021.

### *Selling and marketing expenses*

Our selling and marketing expenses increased from approximately RMB4.6 million for FY2021 to approximately RMB6.4 million for FY2022, mainly due to (i) the increase in salaries as a result of the increase in both number and salaries of our salespersons for business expansion; and (ii) the increase in depreciation mainly attributable to the depreciation of the three motor vehicles acquired in FY2022.

### *Administrative expenses*

Our administrative expenses increased from approximately RMB31.5 million for FY2021 to approximately RMB34.3 million for FY2022, primarily attributable to (i) the increase in development expenses for improving the design and functions of the existing broadcasting equipment accessories to cater for our provision of advertisement placement services, which was partially offset by the decrease in development expenses for the information management system and software; and (ii) the increase in depreciation as a result of the additions of our leasehold improvements to our office premises, which were partially offset by the decrease in [**REDACTED**].

### *Provision/reversal of credit loss on financial and contract assets, net*

Our provision of expected credit loss on financial and contract assets for FY2022 was approximately RMB5.9 million as compared to the reversal of expected credit loss on financial and contract assets for FY2021 of approximately RMB1.4 million, mainly attributable to the increase in our trade receivables as at 31 December 2022 as a result of the increase in provision for our branding, advertising and marketing solution services near year end.

### *Finance costs*

Our finance costs increased from approximately RMB0.7 million for FY2021 to approximately RMB1.5 million for FY2022, primarily attributable to the increase in bank borrowings during the year.

***Income tax expense***

Our income tax expense increased from approximately RMB4.7 million for FY2021 to approximately RMB10.0 million for FY2022, primarily attributable to the increase in profit before tax expense.

***Profit for the year***

As a result of the foregoing, our profit for the year increased from approximately RMB18.5 million for FY2021 to RMB45.7 million for FY2022.

## LIQUIDITY AND CAPITAL RESOURCES

Throughout the Track Record Period, we have financed our working capital needs primarily through cash flows from operating activities and bank borrowings. We derived our cash flows from operating activities principally from the provision of our branding, advertising and marketing solution services. We incurred capital expenditures mainly for the acquisition of plant and equipment and intangible asset during the Track Record Period. We monitor our working capital positions from time to time to ensure that we maintain sufficient cash resources for our daily operations and capital expenditure needs.

### Cash flow

The table below sets forth the summary of our consolidated statements of cash flows during the Track Record Period:

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

***Net cash generated from/(used in) operating activities***

Our cash generated from operating activities was primarily derived from the receipts of sales and our cash used in operating activities was primarily for the purchase of advertising resources, selling and marketing expenses and administrative expenses incurred in our daily operations.

For FY2020, we had net cash inflows from operating activities before working capital change of approximately RMB33.0 million and net cash inflows from operating activities of approximately RMB28.4 million. The difference of approximately RMB4.6 million was primarily attributable to (i) the increase in trade receivables of approximately RMB8.6 million as more revenue was generated in the fourth quarter in 2020; (ii) the decrease in contract liabilities of approximately RMB4.3 million mainly due to the recognition of more revenue near year end date; and (iii) income tax paid of approximately RMB3.0 million, which were partially offset by (i) the decrease in deposits, prepayments and other receivables of approximately RMB3.5 million primarily attributable to the decrease in prepayments we paid to our suppliers as a result of the general decrease in revenue from traditional offline media advertising services that generally require prepayments; (ii) the increase in trade payables of approximately RMB6.4 million mainly due to the increase in our purchase of advertising resources for our increased revenue in the fourth quarter in 2020; and (iii) the increase in accruals and other payables of approximately RMB1.5 million mainly due to the increase in deposit received in advance from our customers and the increase in salaries payables in view of the general increase in the number of our sales staff.

For FY2021, we had net cash inflows from operating activities before working capital change of approximately RMB26.3 million and net cash inflows from operating activities of approximately RMB18.4 million. The difference of approximately RMB7.9 million was primarily attributable to (i) the increase in trade receivables of approximately RMB8.9 million mainly driven by the increase in revenue generated near year end date; (ii) the increase in deposits, prepayments and other receivables of approximately RMB2.0 million mainly due to the increase in [**REDACTED**]; and (iii) the income tax paid of approximately RMB4.4 million, which was partially offset by (i) increase in accruals and other payables of approximately RMB4.4 million due to the increase in accrued [**REDACTED**]; and (ii) the increase in trade payables of approximately RMB2.3 million due to the increase in purchase of advertising resources near year end date for our business expansion.

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

RMB2.9 million due to the settlement of trade payables by our Group; and (v) income tax paid of approximately RMB6.1 million, which were partially offset by the increase in contract liabilities of approximately RMB3.6 million resulting from the increase in advance payments from some customers near year end date.

***Net cash (used in)/generated from investing activities***

Our cash generated from investing activities primarily comprised interest received, withdrawal in term deposits, settlement of a loan by an Independent Third Party and advance from our Controlling Shareholder. Our cash used in investing activities primarily comprised a loan granted to an Independent Third Party, the purchases of intangible asset and plant and equipment, prepayment for intangible asset and plant and equipment and amounts due from our immediate Shareholders as a result of the Reorganisation.

For FY2020, our net cash used in investing activities was approximately RMB2.4 million. The amount was primarily attributable to (i) a loan granted to an Independent Third Party of approximately RMB20.0 million which was fully settled on 1 April 2021; (ii) the purchase of intangible asset of approximately RMB5.8 million; and (iii) the purchase of plant and equipment of approximately RMB5.7 million, which were partially offset by the decrease in amount due from our Controlling Shareholder of approximately RMB29.2 million.

For FY2021, our net cash generated from investing activities was approximately RMB13.4 million. The amount was primarily attributable to the repayment of a loan of approximately RMB20.0 million from an Independent Third Party, which was partially offset by the prepayment of approximately RMB6.0 million for acquiring the branding data platform and additional software for our business.

For FY2022, our net cash used in investing activities was approximately RMB18.7 million. The amount was primarily attributable to (i) the purchase of plant and equipment of approximately RMB15.9 million for (a) the increase in broadcasting equipment for our provision of advertisement placement services and events execution and protection services; (b) the increase in motor vehicles for travelling and entertainment purposes; (c) the increase in office equipment for daily operation; and (d) the increase in leasehold improvements for our operation; and (ii) the prepayment of approximately RMB3.0 million for acquiring the branding data platform and additional software for our business, which were partially offset by the interest income of approximately RMB0.1 million.

***Net cash (used in)/generated from financing activities***

Our cash used in financing activities primarily comprised the repayment of borrowings, lease payment, dividends paid, interest paid for our bank borrowings and transactions arising from the Reorganisation. Our cash generated from financing activities primarily comprised proceeds from bank borrowings and issue of share capital.

For FY2020, our net cash used in financing activities was approximately RMB14.2 million, which was primarily attributable to (i) the dividend paid to our then shareholders of approximately RMB17.4 million; (ii) the repayment of bank borrowings of approximately RMB1.3 million; (iii) the lease payment of our office premises of approximately RMB0.9 million; and (iv) the interest payment of our bank borrowings of approximately RMB0.1 million, which were partially offset by the proceeds from new bank borrowings of approximately RMB5.4 million.

For FY2021, our net cash used in financing activities was approximately RMB13.7 million, which was primarily attributable to (i) the transaction arising from the Reorganisation of approximately RMB20.8 million; (ii) the lease payment of our office premises of approximately RMB1.8 million; and (iii) the repayment of borrowings of approximately RMB5.7 million, which were partially offset by the proceeds from new bank borrowings of approximately RMB14.6 million.

For FY2022, our net cash generated from financing activities was approximately RMB20.6 million, which was primarily attributable to the proceeds from new borrowings of approximately RMB29.2 million, which was partially offset by (i) the lease payment of our office premises of approximately RMB1.8 million; (ii) the repayment of borrowings of approximately RMB5.4 million; and (iii) the interest payments of our borrowings of approximately RMB1.3 million.

**Liquidity and working capital management measures to improve our cash flow from operating activities**

Although we recorded a net cash outflow used in operating activities of approximately RMB29.3 million for FY2022, we will adopt the following measures with a view to improving our cash flow from operating activities:

***(i) Closely monitor the collection status of our trade receivables and continue to increase our efforts to collect trade receivables effectively***

Our net cash used in operating activities of approximately RMB29.3 million for FY2022 was primarily attributable to the increase in our trade receivables by approximately RMB75.6 million and the increase in deposits, prepayments and other receivables by approximately RMB15.9 million, which were partially offset by other working capital changes. As such, our finance and accounting department will closely monitor the collection status of our trade receivables and the repayment status of our customers on a weekly basis and our finance and accounting team will provide the update to our sales team to let them follow up with the customers. Further, in order to speed up the collection time of our trade receivables and further improve the cash inflow from operating activities, we will closely follow up with our customers regarding outstanding trade receivables immediately after we provide our services and issue the notice of payment to customers based on the progress of our projects. For example, generally we receive the settlement from our customers within our credit period (i.e. 90 days) after we issue the notice of payment to customers. Our finance and accounting team will prepare the notice of payment in advance before our services or milestones are completed and issue immediately the notice of payment to our customers once our services are provided or milestones reached. Then, our sales team will help chasing the settlement of trade receivables from our customers by sending the payment reminders frequently to our customers, thereby allowing us to shorten our collection time to around one month.

***(ii) Negotiate the credit terms and payment terms with our suppliers***

We will utilise the credit terms and periods granted by our suppliers flexibly and continue to strive for more favourable credit terms from our suppliers, thereby allowing us to extend the settlement time of our trade payables. For the provision of our advertisement placement services, we will endeavor to negotiate with the Media Supplier in future to lower the amount of deposits or prepayments before we execute advertisement placement on its online media platform, thereby reducing the burden of our operating cash outflows.

***(iii) Monitor and adjust the credit periods or payment terms offered to our customers***

Our Directors and our sales team will regularly review the customers' sales level, market reputation, payment history, years of business relationship with us and financial status and we will adjust the credit terms we offer to them based on their creditability and repayment status when necessary. For example, we will negotiate with our customers for reducing the credit periods granted to our customers or we will require those customers which intend to place advertisements on the online media platform of the Media Supplier to provide more advance payments to us before we execute advertisement placement on the online media platform of the Media Supplier, thereby reducing the burden of our operating cash outflows.

***(iv) Closely monitor our cash flow situation on a regular basis by our management***

We will implement a monthly cash budget to ensure the cash flow of our Group remains healthy. The monthly cash budget will be reviewed by Mr. Zhang Bei, one of our executive Directors and our finance supervisor, to monitor the cash flow status of our Group every month. Based on the monthly cash budget, the estimated operating cash outflows such as, operating expenses, deposits paid on behalf of our customers and deposits paid to suppliers as well as the operating cash inflows including the settlement of trade receivables in each month will be predicted. Our Group will endeavour to follow the budget to manage the cash flows in the next month. Due to the expansion of our provision of advertisement placement services, we may pay deposits on behalf of our customers or pay deposits to the Media Supplier from time to time. In the event that there is a need for us to make the deposits which was over the estimated amount for deposits to be paid in the budget, Mr. Zhang and other senior management will convene internal meetings with our finance and accounting department and other operational departments to understand the business needs of paying deposits and will consider whether other measures (for details, please see (i), (ii) and (iii) above) can increase the operating cash inflows. Finally, we will obtain the approval from Mr. Chen, our executive Director, chairman of the board of directors and chief executive officer and then report the result to our Board periodically.

## DISCUSSION ON CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### Non-current assets

Our non-current assets primarily comprised plant and equipment, right-of-use assets and intangible asset as at the dates indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | |
| Plant and equipment | 7,958 | 6,611 | 17,958 |
| Right-of-use assets | 4,187 | 3,010 | 1,804 |
| Intangible asset | 5,824 | 4,734 | 3,569 |
| Deferred tax assets | 993 | 1,131 | 1,649 |
| Prepayments | – | 6,000 | 9,000 |
| **Total non-current assets** | **18,962** | **21,486** | **33,980** |

Our plant and equipment decreased from approximately RMB7.9 million as at 31 December 2020 to approximately RMB6.6 million as at 31 December 2021, primarily attributable to the depreciation during the year. Our plant and equipment then increased to approximately RMB18.0 million as at 31 December 2022, primarily attributable to (i) the increase in broadcasting equipment by approximately RMB6.4 million which are mainly used for the design and production of short advertisement videos for placing on the online media platforms of the Media Supplier and the implementation and execution of our events execution and production services to promote the brands, products and/or services of our customers; (ii) the increase in office equipment by approximately RMB0.7 million for daily business operations; (iii) the increase in motor vehicles of approximately RMB3.1 million as we acquired three vehicles for travelling and entertainment purposes to explore potential clients for business expansion; and (iv) the increase in leasehold improvements of approximately RMB1.1 million for the renovation of our office in Macheng and a live room in our office in Wuhan.

Our right-of-use assets represented the lease of our office premise. The right-of-use assets decreased from approximately RMB4.2 million as at 31 December 2020 and further decreased to approximately RMB3.0 million as at 31 December 2021, primarily attributable to the depreciation of approximately RMB1.2 million during the year ended 31 December 2021, respectively. As at 31 December 2022, our right-of-use assets further decreased to approximately RMB1.8 million, mainly due to the depreciation of approximately RMB1.2 million for FY2022.

Our intangible asset represented fees paid for developing a mobile application in the second half of 2020, which we mainly used it as a tool to facilitate the matching between providers of advertising resources and advertisers with an aim to broaden our revenue stream. The installation of such mobile application was completed in December 2020 and we commenced using it since then. According to our accounting policies, such balance was initially capitalised as intangible asset and amortised on a straight line basis over the useful life of five years from January 2021. Our intangible asset decreased from approximately RMB5.8 million as at 31 December 2020 to approximately RMB4.7 million as at 31 December 2021 and further decreased to approximately RMB3.6 million as at 31 December 2022, primarily attributable to the amortisation of approximately RMB1.1 million and RMB1.2 million during FY2021 and FY2022, respectively.

Our prepayments of approximately RMB6.0 million as at 31 December 2021 represented the first installment for acquiring the branding data platform and additional software for business. Our prepayments increased to approximately RMB9.0 million as at 31 December 2022, primarily attributable to the second installment of RMB3.0 million paid for acquiring the branding data platform and additional software for business.

As disclosed in the section headed "Business – Business strategies – (i) Establish our branding data platform and R&D database", 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, our Group intends to establish our own branding data platform and R&D database. Therefore, in contemplation of the [**REDACTED**] at the relevant time, 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 the establishment of the branding data platform and R&D database. Pursuant to the Service Agreements, our Group had paid an aggregate of RMB9.0 million as prepayments to the Service Provider for the aforesaid establishment of the branding data platform and R&D database and acquisition of the relevant software and marketing and industry data for the operation of the branding data platform (the "**Prepayments**").

As at the Latest Practicable Date, the Service Provider had engaged in the preliminary design of the functions and operation framework of the branding data platform and acquired some of the software and marketing and industry data to support the operation of the branding data platform. Among the Prepayments, RMB4.5 million had been utilised by the Service Provider for the aforesaid works. Subsequently, in view of the postponement of the timetable of the [**REDACTED**], our Group had accordingly delayed the establishment of the branding data platform. Upon negotiations with the Service Provider, the Service Provider had agreed to refund the remaining RMB4.5 million under the Prepayments to us and such prepayment was refunded to us in April 2023.

**Net current assets**

| | **As at 31 December** | | | **As at 30 April** |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* |
| **Current assets** | | | | |
| Contract assets | 288 | 179 | 2,319 | 284 |
| Trade receivables | 22,972 | 32,040 | 102,602 | 158,097 |
| Deposits, prepayments and other receivables | 22,293 | 5,491 | 20,586 | 20,976 |
| Amount due from shareholders | – | 307 | 307 | 307 |
| Amount due from a non-controlling interests shareholder | 1,848 | – | – | – |
| Cash and cash equivalents | 12,071 | 30,203 | 2,874 | 35,864 |
| | **59,472** | **68,220** | **128,688** | **215,528** |

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* |
| **Current liabilities** | | | | |
| Trade payables | 8,513 | 10,803 | 7,908 | 64,145 |
| Accruals and other payables | 2,746 | 7,119 | 7,206 | 10,103 |
| Contract liabilities | 56 | 722 | 4,357 | 3,227 |
| Lease liabilities | 1,493 | 1,666 | 1,844 | 1,921 |
| Borrowings | 5,200 | 10,789 | 37,224 | 35,950 |
| Income tax payable | 1,422 | 1,156 | 3,877 | 4,276 |
| | **19,430** | **32,255** | **62,416** | **119,622** |
| **Net current assets** | **40,042** | **35,965** | **66,272** | **95,906** |

We had net current assets of approximately RMB40.0 million, RMB36.0 million, RMB66.3 million and RMB95.9 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Such change was primarily attributable to the operating profit incurred for each year/period of the Track Record Period and the factors as elaborated below.

Our net current assets decreased from approximately RMB40.0 million as at 31 December 2020 to approximately RMB36.0 million as at 31 December 2021, primarily attributable to the increase in the current liabilities, which was partially offset by the increase in the current assets. The increase in the current liabilities was primarily attributable to (i) the increase in trade payables, mainly due to the increase in purchase of advertising resources near year end, which was in line with our business expansion; (ii) the increase in accruals and other payables mainly as a result of the [**REDACTED**] for preparation of the [**REDACTED**]; and (iii) increase in bank borrowings. The increase in the current assets was primarily attributable to (i) the increase in trade receivables mainly due to the increase in revenue generated near year end, which was in line with our business expansion; and (ii) the increase in cash and cash equivalents generated from our operation.

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

Our net current assets increased from approximately RMB66.3 million as at 31 December 2022 to approximately RMB95.9 million as at 30 April 2023, primarily attributable to the increase in the current assets, which was partially offset by the increase in the current liabilities. The increase in current assets was primarily attributable to (i) the increase in trade receivables as a result of the increase in revenue generated near period end date; and (ii) the increase in cash and bank balances as a result of increase in the settlements of our trade receivables from our customers; which were partially offset by the decrease in contract assets resulting from issuing invoices to our customers for some projects before period end. The increase in current liabilities was primarily attributable to the increase in trade payables due to the increase in our purchases from suppliers for our continued business growth.

### Trade receivables

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

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 26,171 | 35,201 | 110,756 |
| Less: allowance for impairment loss on trade receivables | (3,199) | (3,161) | (8,154) |
| | **22,972** | **32,040** | **102,602** |

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.

For branding services, our Group generally receives prepayment before services are provided. We generally receive 20% of the contract value as first installment after signing the contracts and receive the remaining contract value by installments in accordance with the progress of services provided. Our Group generally provides credit period of approximately 90 days.

For event execution and production services, our Group generally receives prepayment before services are provided. We generally receive the service fee by installments in accordance with the progress of services provided. Our Group generally provides credit period of up to 90 days.

For online media advertising services, our Group generally receives service fee on a monthly basis. Our Group generally provides credit period of approximately 90 days.

For traditional offline media advertising services, our Group generally receives 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.

For provision of advertisement placement services, our Group generally receives service fee on a monthly basis. Our Group generally provides a credit period of approximately 90 days. Our rebates from media partner are generally granted to us on a quarterly basis.

Our trade receivables increased from approximately RMB23.0 million as at 31 December 2020 to approximately RMB32.0 million as at 31 December 2021, primarily attributable to the increase in our revenue generated near year end date. Our trade receivables further increased from approximately RMB32.0 million as at 31 December 2021 to approximately RMB102.6 million as at 31 December 2022, primarily attributable to the increase in our revenue generated from near year end as more projects under our advertisement placement services were completed at the end of the year.

The table below sets out our trade receivables by services segments for the indicated dates:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Branding services | 14,267 | 13,335 | 15,032 |
| Traditional offline media advertising services | 1,393 | 405 | 283 |
| Online media advertising services | 3,795 | 12,375 | 33,723 |
| Event execution and production services | 3,517 | 5,925 | 5,749 |
| Provision of advertisement placement services (including rebates from media partner) | – | – | 47,815 |
| | 22,972 | 32,040 | 102,602 |

Our trade receivables increased from approximately RMB23.0 million as at 31 December 2020 to approximately RMB32.0 million as at 31 December 2021, mainly due to the increase in balance from online media advertising services as more projects were completed near year end date. Our trade receivables increased from approximately RMB32.0 million as at 31 December 2021 to approximately RMB102.6 million as at 31 December 2022. Such increase was mainly attributable to (i) the increase in the balance from provision of advertisement placement services (including rebates from media partner) by approximately RMB47.8 million as more than 100 projects were completed at the end of 2022 due to the commencement of our provision of advertisement placement services in May 2022; and (ii) the increase in the balance from online media advertising services by approximately RMB21.3 million as 17 projects were completed in the last quarter of 2022.

*Aging analysis of trade receivables*

The following table sets forth the aging analysis of trade receivables net of allowance for impairment loss based on the invoice date as at the dates indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 90 days | 22,970 | 31,988 | 102,554 |
| 91 – 180 days | – | – | 48 |
| 181 – 365 days | 2 | 52 | – |
| Over 1 years | – | – | – |
| | **22,972** | **32,040** | **102,602** |

The increase in our trade receivables was primarily attributable to the increase in trade receivables aged within 90 days, which was in line with the general credit term granted to our customers.

*Turnover days analysis of trade receivables*

The table below sets out our average trade receivables turnover days during the Track Record Period:

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| Average trade receivables turnover days (days) | 65.8 | 63.7 | 119.6 |

*Note:* Average trade receivables turnover days is calculated as the average of the beginning and ending trade receivables balances for the year, divided by the revenue for that year, multiplied by 365 days.

The credit term granted to our customers are generally 90 days. During the Track Record Period, our average turnover days of trade receivables was approximately 65.8 days, 63.7 days and 119.6 days, respectively. During the Track Record Period, our adjusted average turnover days of trade receivables was approximately 65.8 days, 63.7 days and 58.1 days, respectively.

Our average trade receivables turnover days decreased from approximately 65.8 days for FY2020 to approximately 63.7 days for FY2021, mainly attributable to the timely settlement made by our customers after the full recovery of COVID-19 in FY2021.

Our average trade receivables turnover days increased from approximately 63.7 days for FY2021 to approximately 119.6 days for FY2022. When assessing our trade receivables turnover days for FY2022, you should not directly compare our trade receivables turnover days for FY2022 and those for FY2020 and FY2021 since part of our revenue was recognised on a net basis for FY2022 (regarding our advertisement placement services and our online media advertising services offered to the Four Advertising Agents), and none of our revenue was recognised on a net basis for FY2020 and FY2021, whereas all of our trade receivables as at 31 December 2022 were accounted for on a gross basis, resulting in a larger balance of average trade receivables, and in turn, a substantial increase in our trade receivables turnover days for FY2022. Excluding the effect of net basis on our revenue, we recorded a decrease in our trade receivables turnover days in FY2022 as compared to that in FY2021.

The table below sets out our average trade receivables turnover days by services segments for FY2021 and FY2022 and our general credit terms by service segments:

| | **FY2021** *(days)* | **FY2022** *(days)* | **General credit terms** *(days)* |
|---|---|---|---|
| Branding services | 67.2 | 57.2 | 90 |
| Traditional offline media advertising services | 80.4 | 57.0 | 90 |
| Online media advertising services | 63.9 | 174.7 | 90 |
| Event execution and production services | 53.1 | 51.5 | 90 |
| Provision of advertisement placement services (including rebates from media partner) | – | 376.0 | 90 |

In FY2021, our average trade receivables turnover days for our branding services, traditional offline media advertising services, online media advertising services and events execution and production services were approximately 67.2 days, 80.4 days, 63.9 days and 53.1 days, respectively, which were within our general credit terms of respective services segments. In FY2022, our average trade receivables turnover days for our branding services, traditional offline media advertising services and event execution and production services were approximately 57.2 days, 57.0 days and 51.5 days, respectively, which were within our general credit terms of respective service segments. For our online media advertising services and provision of advertisement placement services (including rebates from media partner), we recorded higher average trade receivables turnover days (i.e. approximately 174.7 days and 376.0 days, respectively) since part of our revenue was recognised on a net basis for FY2022 (regarding our advertisement placement services and our online media advertising services offered to the Four Advertising Agents), while the trade receivables generated from the aforesaid services were accounted for on a gross basis. This resulted in larger balances of average trade receivables for our online media advertising services and provision of advertisement placement services (including rebates from media partner), and in turn, a substantial increase in our average trade receivables turnover days for these two services segments for FY2022. Excluding the effect of net basis on our revenue, our average trade receivables turnover days for online media advertising services and provision of advertisement placement services (including rebates from media partner) for FY2022 were within our general credit terms of these two service segments.

*Allowance for impairment loss on trade receivables*

Our Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated expected credit loss ("**ECL**") based on lifetime ECLs. Our Group has established a provision matrix that is based on our Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For details, please refer to note 4.7 to the Accountants' Report included in Appendix I in this document. The table below sets forth the movements in the allowance for impairment of trade receivables as of the dates indicated:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| As at the beginning of year | 3,191 | 3,199 | 3,161 |
| Net impairment losses recognised/(reversed) | 8 | (38) | 4,993 |
| As at the end of year | 3,199 | 3,161 | 8,154 |

We made allowance for impairment loss on our trade receivables of approximately RMB3.2 million, RMB3.2 million and RMB8.2 million as at 31 December 2020 and 2021 and 2022, respectively.

As at the Latest Practicable Date, approximately RMB102.3 million or 99.7% of our trade receivables as at 31 December 2022 was subsequently settled.

**Deposits, prepayments and other receivables**

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

| | **As at 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deposits and other receivables | 20,630 | 626 | 433 |
| Deposits paid on behalf of customers | – | – | 6,014 |
| Deposits paid to suppliers | – | – | 9,409 |
| Less: allowance for impairment loss on deposits and other receivables | (1,278) | (129) | (904) |
| | 19,352 | 497 | 14,952 |
| VAT receivables | 2 | 360 | 41 |
| Prepayments | 2,939 | 4,634 | 5,593 |
| | **22,293** | **5,491** | **20,586** |

***Deposits and other receivables***

Our deposits and other receivables amounted to approximately RMB19.4 million, RMB0.5 million and RMB15.0 million as at 31 December 2020, 2021 and 2022, respectively, which primarily represented our (i) deposits paid for advertising services in TV station operators; (ii) deposits paid for bidding projects; (iii) loan receivables from an Independent Third Party; and (iv) deposits paid to the Media Supplier which included the deposits paid by the customers to the Media Supplier through us or the deposits paid by us on behalf of our customers to the Media Supplier for the advertisement placement costs on the online media platforms of the Media Supplier.

As at 31 December 2020, we granted an unsecured loan of RMB20.0 million granted to an Independent Third Party, a company principally engaged in construction in Hubei Province, for its operational use. The unsecured loan was granted as at 31 December 2020 with the tenure from 1 January 2021 to 1 April 2021 at a fixed rate of 4.35% according to a one year interest rate of People's Republic Bank of China.

The decrease in deposits and other receivables from approximately RMB19.4 million as at 31 December 2020 to approximately RMB0.5 million as at 31 December 2021 was primarily attributable to the settlement of the aforementioned loan receivable in April 2021.

Our PRC Legal Advisers are of the view that the unsecured loan granted to an Independent Third Party during the period from 1 January 2021 to 1 April 2021 did not violate the relevant laws and regulations in the PRC.

Our deposits and other receivables increased from approximately RMB0.5 million as at 31 December 2021 to approximately RMB15.0 million as at 31 December 2022, primarily attributable to the deposits paid to the Media Supplier as we are required to provide prepayment to the Media Supplier to cover the entire expected placement cost before we can execute advertisement placement on their online media platform.

During FY2022, our total amount of deposits paid by us on behalf of our customers to the Media Supplier and deposits paid to the Media Supplier amounted to approximately RMB193.9 million (inclusive of taxes), of which approximately RMB184.5 million represented the deposits injected into the advertising platform of the Media Supplier for advertisement placement, while approximately RMB9.4 million represented the deposits paid by our Group in advance to the Media Supplier and such amount will be subsequently transferred and injected into the advertising platform of the Media Supplier for advertisement placement. As at the Latest Practicable Date, approximately RMB183.3 million or 99.4% of the total amount of deposits injected into the advertising platform of the Media Supplier for advertisement placement for FY2022 had been utilised whereas all deposits paid in advance to the Media Supplier for FY2022 had been utilised. The source of funding for the aforesaid deposits was financed from the settlement of our trade receivables and our bank and other borrowings.

***Allowance for impairment loss on deposits and other receivables***

Our Group measures loss allowances for deposits and other receivables using HKFRS 9 general approach and has calculated ECL based on the 12-months ECLs. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as a difference between all contractual cash flows that are due to the Group in accordance with the contracts and all the cash flows that the Group expects to receive.

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Expected loss rate | 6.2% | 20.5% | 5.7% |
| Gross carrying amount | 20,630 | 626 | 15,856 |
| Loss allowance provision | 1,278 | 129 | 904 |

The probability of default is proportional to the expected period of exposure, and the expected credit loss rate would be lower for deposits and other receivables that are expected to be received at an earlier time, i.e. shorter periods of credit risk exposure. The deposits and other receivables as at 31 December 2020 and 2022 included both other receivables and deposits with shorter credit terms and the deposits with longer credit terms; whereas the deposits and other receivables as at 31 December 2021 included deposits with longer credit terms only. The overall credit terms of the deposits and other receivables as at 31 December 2021 was relatively longer, therefore the ECL rate in 2021 was higher than that in 2020 and 2022.

***Prepayments***

Our prepayments amounted to approximately RMB2.9 million, RMB4.6 million and RMB5.6 million as at 31 December 2020, 2021 and 2022, respectively, which primarily represented (i) prepayments to suppliers; and (ii) prepayment of [**REDACTED**].

Our prepayments increased from approximately RMB2.9 million as at 31 December 2020 to approximately RMB4.6 million as at 31 December 2021, primarily attributable to the increase in prepayments of [**REDACTED**] by approximately RMB[**REDACTED**] for preparation of the [**REDACTED**] during the year, which was partially offset by the decrease in prepayments to suppliers by approximately RMB2.2 million as we entered into less supplier contracts which required prepayments near the year end.

Our prepayments increased from approximately RMB4.6 million as at 31 December 2021 to approximately RMB5.6 million as at 31 December 2022, which was in line with our business expansion.

As at the Latest Practicable Date, approximately RMB0.5 million or 8.9% of our prepayment as at 31 December 2022 had been utilised.

**Contract assets and contract liabilities**

Contract assets initially recognised from revenue generated from the services as the receipt of consideration are conditional. Upon completion of services and acceptance by the customer, the amounts become unconditional and are reclassified to trade receivables. Our contract assets amounted to approximately RMB288,000, RMB179,000 and RMB2.3 million as at 31 December 2020, 2021 and 2022, respectively.

The table below sets out the breakdown of our contract assets by services segments for the indicated dates:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Branding services | 63 | 31 | 2,236 |
| Traditional offline media advertising services | – | – | – |
| Online media advertising services | – | 148 | – |
| Event execution and production services | 225 | – | 83 |
| Provision for advertisement placement services (including rebates from media partner) | – | – | – |
| | 288 | 179 | 2,319 |

Our contract assets increased from approximately RMB179,000 as at 31 December 2021 to approximately RMB2.3 million as at 31 December 2022. Such increase was mainly driven by the increase in balance from branding services as a result of the increase in revenue from some branding projects by approximately RMB2.2 million. As these projects were still subject to acceptance from our customers as at 31 December 2022, we had not yet issued the invoices to our customers and the unbilled amount from these projects were recognised as contract assets as at 31 December 2022.

Contract liabilities mainly arise from the advance payments made by customers while the underlying services are yet to be provided and VAT payables. Our contract liabilities amounted to approximately RMB56,000, RMB0.7 million and RMB4.4 million as at 31 December 2020, 2021 and 2022, respectively.

The table below sets out the breakdown of our contract liabilities by services segments for the indicated dates:

| | **As at 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Branding services | – | 404 | – |
| Traditional offline media advertising | – | – | – |
| Online media advertising services | – | – | 2,750 |
| Event execution and production services | 56 | 171 | 576 |
| Provision for advertisement placement services (including rebates from media partner) | – | – | 962 |
| VAT payables | – | 147 | 69 |
| | 56 | 722 | 4,357 |

Our contract liabilities increased from approximately RMB722,000 as at 31 December 2021 to approximately RMB4.4 million as at 31 December 2022. Such increase was mainly driven by the increase in balance from online media advertising services as a result of the increase in advance payments made from Advertising Agent C and Advertising Agent D for the commencement of the projects in the last quarter of 2022.

**Trade payables**

Our trade payables primarily represented amounts payable to our suppliers for the purchase of advertising resources. Settlement was generally made in accordance with the terms specified in the relevant contracts with our suppliers, which was generally 90 days.

Our trade payables increased from approximately RMB8.5 million as at 31 December 2020 to approximately RMB10.8 million as at 31 December 2021, primarily attributable to the expansion of our business and the general increase in purchase of advertising resources during the respective years.

Our trade payables decreased from approximately RMB10.8 million as at 31 December 2021 to approximately RMB7.9 million as at 31 December 2022, primarily attributable to the settlement of trade payables. Despite the increase in our trade receivables as at 31 December 2022 as compared to as at 31 December 2021 and the increase in our cost of services in FY2022 as compared to FY2021, we recorded a decrease in our trade payables as at 31 December 2022 as compared to as at 31 December 2021 mainly because more suppliers required us to make significant amount of deposits in advance in FY2022 and we recorded a decrease in trade payables.

***Aging analysis of trade payables***

The following table sets forth the aging analysis of our trade payables based on services received as at the dates indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 30 days | 53 | 9,303 | 3,615 |
| 31 – 60 days | 1,889 | 1,336 | 3,963 |
| 61 – 90 days | 2,162 | 139 | 69 |
| Over 90 days | 4,409 | 25 | 261 |
| | **8,513** | **10,803** | **7,908** |

The increase in our trade payables as at 31 December 2021 was primarily attributable to the increase in our trade payables aged within 30 days. Such increase was in line with the increase in our cost of services for FY2021.

The increase in trade payables aged within 30 days as at 31 December 2021 was mainly attributable to the increase in purchase of advertising resources near year end date for our business growth.

The decrease in trade payables as at 31 December 2022 was primarily attributable to the settlement of certain trade payables before the year end.

***Turnover days analysis of trade payables***

The table below sets out our average trade payables turnover days during the Track Record Period:

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| Average trade payables turnover days (days) | 32.2 | 35.3 | 33.4 |

*Note:* Average trade payables turnover days is calculated as the average of the beginning and ending trade payables balances for the year, divided by the cost of services for that year, multiplied by 365 days.

The average trade payables turnover days increased from approximately 32.2 days for FY2020 to approximately 35.3 days for FY2021, primarily attributable to the decrease in provision of traditional offline media advertising services which required the prepayments to suppliers, and the suppliers of other business segments generally offered credit period to us. The average trade payables turnover days decreased to approximately 33.4 days for FY2022, primarily attributable to the decrease in the balance of trade payables as at 31 December 2022. Our average trade payables turnover days during the Track Record Period were within the credit terms offered by our suppliers.

As at the Latest Practicable Date, all of our trade payables as at 31 December 2022 had been settled.

**Accruals and others payables**

The following table sets forth the components of our accruals and other payables as at the dates indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Accruals and other payables | 710 | 4,311 | 3,676 |
| Other tax payables | 245 | 11 | 66 |
| Salaries payables | 1,791 | 2,797 | 3,464 |
| | **2,746** | **7,119** | **7,206** |

Our accruals and other payables primarily represented deposit receipt in advance from our customers and [**REDACTED**] payables for legal and professional fees in preparation for the [**REDACTED**]. Our other tax payables primarily represented value-added tax and miscellaneous tax payables for our PRC subsidiaries as at year/period end. Our salaries payables primarily represented the accruals of salaries for our sales and administrative department.

Our total accruals and other payables increased from approximately RMB2.7 million as at 31 December 2020 to approximately RMB7.1 million as at 31 December 2021, primarily attributable to (i) the increase in accrued [**REDACTED**] by approximately RMB[**REDACTED**]; and (ii) the increase in salaries payables by approximately RMB1.0 million, mainly attributable to the increase in number and salaries of our staff for our business expansion.

Our total accruals and other payables increased from approximately RMB7.1 million as at 31 December 2021 to approximately RMB7.2 million as at 31 December 2022, primarily attributable to the net effect of the decrease in accruals and other payables as a result of the decrease in [**REDACTED**] payable and the increase in salaries payables resulting from the increase in both number of staff and basic salaries as a result of the business expansion for FY2022.

**Amounts due from shareholders and a non-controlling interests shareholder**

As at 31 December 2020, 2021 and 2022, we had amount due from shareholders of nil, approximately RMB0.3 million and RMB0.3 million, respectively. As at 31 December 2021 and 31 December 2022, the balance represented the amount due from our immediate Shareholders, JaiYi Culture, Youxin Capital, Yuanjin Culture, Zhong Lun Culture and Hubei Jiaying Culture as a result of the Reorganisation, which was non-trade in nature, unsecured, interest-free and repayable on demand. Such amount will be settled prior to [**REDACTED**].

As at 31 December 2020, 2021 and 2022, we had amounts due from a non-controlling interests shareholder of approximately RMB1.8 million, nil and nil, respectively. The amounts due from a non-controlling interests shareholder represented an unpaid share capital of approximately RMB2.0 million due from Mr. Zhao Yulu, the previous shareholder having 20% equity interests of Wuyuan Fujie. Such amounts were non-trade in nature and have been fully settled in January 2021.

## Borrowings

The following table sets forth the components of our borrowings as at the dates indicated:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings | | | |
| – Guaranteed | – | 6,750 | 24,208 |
| – Secured and guaranteed | 4,200 | 4,200 | 9,000 |
| – Unsecured and unguaranteed | 1,000 | 3,239 | 3,906 |
| Other loans | | | |
| – Guaranteed | – | – | 829 |
| | **5,200** | **14,189** | **37,943** |

As at 31 December 2020, 2021 and 2022, we had total bank borrowings of approximately RMB5.2 million, RMB14.2 million and RMB37.9 million, respectively. As at 31 December 2020, the increase in balance was primarily attributable to the drawing of two bank borrowings of approximately RMB5.4 million for FY2020, among which, approximately RMB4.2 million was (i) secured by the properties co-owned by our Controlling Shareholder and a related person; and (ii) guaranteed by our Controlling Shareholder, a related person and an Independent Third Party. All securities and guarantees of our Controlling Shareholder, a related person and an Independent Third Party will be released prior to [**REDACTED**]. As at 31 December 2021, the increase in balance was primarily attributable to the drawing of two bank borrowings of approximately RMB12.6 million, among which, (i) approximately RMB4.8 million was unsecured and guaranteed by a guarantee company ("**Guarantee Company A**"), an Independent Third Party; and (ii) RMB2.0 million was unsecured and guaranteed by our Controlling Shareholder and another guarantee company ("**Guarantee Company B**"), an Independent Third Party. The guarantees provided by our Controlling Shareholder will be released prior to [**REDACTED**]. Guarantee Company A and Guarantee Company B are principally engaged in provision of guarantees on the bank loan, trading loan and factoring in Hubei and Macheng, respectively.

As at 31 December 2022, the increase in balance was primarily attributable to drawing of twelve new bank borrowings and other loans with a total amount of approximately RMB29.2 million, which were partially offset by the repayment of certain bank and other borrowings of approximately RMB5.4 million during FY2022. As we further expanded the scope of our online media advertising services and started to provide advertisement placement services, which required us to make significant amount of prepayments to the Media Supplier before providing our provision of advertisement placement services to our customers, we financed bank borrowings and other loans from time to time to support our working capital and business operation. Among the new bank borrowings of approximately RMB37.1 million, (i) RMB2.0

million of such new bank borrowings was guaranteed by our Controlling Shareholder and Guarantee Company B; (ii) RMB3.0 million of such new bank borrowings was guaranteed by our Controlling Shareholder and Guarantee Company B; and (iii) RMB5.0 million of such new bank borrowings was guaranteed by Guarantee Company A. All of these guarantees provided by our Controlling Shareholder will be released prior to [**REDACTED**]. For more details of bank borrowings, please refer to the paragraph headed "Indebtedness" in this section.

## INDEBTEDNESS

The table below sets forth a breakdown of the types of borrowings and the analysis of the carrying amount of the bank borrowings as at the dates indicated:

| | **As at 31 December** | | | **As at 30 April** |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* |
| Bank borrowings | | | | |
| – Guaranteed | – | 6,750 | 24,208 | 27,950 |
| – Secured and guaranteed | 4,200 | 4,200 | 9,000 | 8,000 |
| – Unsecured and unguaranteed | 1,000 | 3,239 | 3,906 | – |
| Other loans | | | | |
| – Guaranteed | – | – | 829 | – |
| | **5,200** | **14,189** | **37,943** | **35,950** |

| | As at 31 December | | | As at 30 April |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* |
| The carrying amounts of the above borrowings are repayable | | | | |
| – On demand within one year under current liabilities | 5,200 | 10,789 | 37,224 | 35,950 |
| – Over one year under non-current liabilities | – | 3,400 | 719 | – |
| | **5,200** | **14,189** | **37,943** | **35,950** |
| Lease liabilities | 5,978 | 4,506 | 2,840 | 1,938 |

Our Group's bank borrowings were primarily used for our operations and working capital.

Our Group had bank borrowings of approximately RMB5.2 million, RMB14.2 million, RMB37.9 million and RMB[36.0] million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

As at 31 December 2020, our Group had (i) a short-term bank borrowing of approximately RMB1.0 million with an effective interest rate at 4.00% per annum for a one-year term; and (ii) a short-term bank borrowing of approximately RMB4.4 million with an effective interest rate at 4.35% per annum, among of which approximately RMB0.2 million was repaid in November 2020.

As at 31 December 2021, our Group had (i) a short-term bank borrowing of approximately RMB3.2 million with an effective interest rate at approximately 4.2525% per annum for a one-year term; (ii) a bank borrowing of RMB4.4 million with an effective interest rate at 5.6% per annum for a two-year term, among which approximately RMB0.2 million was repaid in November 2021; (iii) a short-term bank borrowing of RMB5.0 million with an effective interest rate at 5.70% per annum for a one-year term, among which approximately RMB0.3 million was repaid in November 2021; and (iv) a short-term bank borrowing of RMB2.0 million with an effective interest rate at 4.0% per annum for a one-year term.

As at 31 December 2022, our Group had (i) a short-term bank borrowing of approximately RMB3.2 million with an effective interest rate at 4.05% per annum which will be expired in April 2023; (ii) a short-term bank borrowing of RMB10.0 million with an effective interest rate of 6.40% per annum for a one-year term, among which approximately RMB1.0 million was repaid in November 2022; (iii) a short-term bank borrowing of RMB2.0 million with an effective interest rate of 4.00% per annum for a one-year term; (iv) a short-term bank borrowing of RMB2.0 million with an effective interest rate of 5.50% per annum for a one-year term; (v) a short-term bank borrowing of RMB3.0 million with an effective interest rate of 4.50% per annum for a one-year term; (vi) a short-term bank borrowing of RMB3.0 million with an effective interest rate of 5.15% per annum for a one-year term; (vii) a bank borrowing of approximately RMB1.0 million with an effective interest rate of 12.96% per annum for a two-year term, among which approximately RMB0.3 million was repaid during June 2022 to December 2022 by seven equal installments; (viii) a borrowing from a financial institution of approximately RMB0.8 million with an effective interest rate of 12.96% per annum for a two-year term, among which approximately RMB0.2 million was repaid during June 2022 to December 2022 by seven equal installments; (ix) a bank borrowing of RMB0.8 million with an effective interest rate of 18.0% per annum for a two-year term, among which approximately RMB0.1 million was repaid during September 2022 to December 2022 by four equal installments; (x) a short-term bank borrowing of approximately RMB6.0 million with an effective interest rate of 4.35% per annum for a six-month term; (xi) a short-term bank borrowing of approximately RMB2.5 million with an effective interest rate of 4.35% per annum for a three-month term; (xii) a short-term bank borrowing of approximately RMB5.0 million with an effective interest rate of 5.70% per annum for a one-year term; and (xiii) a borrowing from a financial institution of approximately RMB0.4 million with an effective interest rate of 10.8% per annum for a two-year term, among which approximately RMB0.1 million was repaid during June 2022 to December 2022 by seven equal installments.

As at 30 April 2023, our Group had (i) a short-term bank borrowing of RMB10.0 million with an effective interest rate of 6.40% per annum for a one-year term, among which approximately RMB2.0 million was repaid in November 2022 and February 2023; (ii) a short-term bank borrowing of RMB2.0 million with an effective interest rate of 4.00% per annum for a one-year term; (iii) a short-term bank borrowing of RMB5.0 million with an effective interest rate of 4.50% per annum for a one-year term; (iv) a short-term bank borrowing of RMB2.95 million with an effective interest rate of 4.65% per annum for a one-year term; (v) a short-term bank borrowing of RMB3.0 million with an effective interest rate of 5.15% per annum for a one-year term; (vi) a bank borrowing of approximately RMB4.0 million with an effective interest rate of 4.65% per annum for a one-year term; (vii) a short-term bank borrowing of approximately RMB6.0 million with an effective interest rate of 4.35% per annum for a six-month term; and (viii) a short-term bank borrowing of approximately RMB5.0 million with an effective interest rate of 5.70% per annum for a one-year term.

Among our bank borrowings as at 31 December 2022 and 30 April 2023, bank borrowing of RMB34.0 million and RMB36.0 million, respectively, was (i) secured by 95.5% equity interest of Huashi Media held by Huashi Brand Management; (ii) secured by the properties owned by our Controlling Shareholder and two related parties; and (iii) guaranteed by our Controlling Shareholder, Huashi HK, Huashi Brand Management, Guarantee Company A and Guarantee Company B. All the abovementioned personal securities and guarantees will be released prior to [**REDACTED**]. Therefore, our Directors are of the view that our Group will be able to obtain the bank and their borrowings independently after [**REDACTED**].

Among our guaranteed and unsecured bank borrowings of approximately RMB24.2 million and RMB28.0 million as at 31 December 2022 and 30 April 2023, respectively, (i) RMB2.0 million and RMB2.0 million, respectively, of such bank borrowings was guaranteed by our Controlling Shareholder and Guarantee Company B, an Independent Third Party who charged us a fee of RMB20,000; (ii) RMB3.0 million and RMB3.0 million, respectively, of such bank borrowings was guaranteed by our Controlling Shareholder and Guarantee Company B, an Independent Third Party; and (iii) RMB5.0 million and RMB5.0 million, respectively, of such bank borrowings was guaranteed by Guarantee Company A, another Independent Third Party who charged us a fee of RMB50,000. All of these guarantees provided by our Controlling Shareholder will be released prior to [**REDACTED**]. For the abovementioned bank borrowing of RMB3.0 million and RMB3.0 million, respectively, guaranteed by our Controlling Shareholder and Guarantee Company B; the guarantee provided by Guarantee Company B was in turn personally guaranteed by our Controlling Shareholder, pursuant to the request of the lending bank. This personal guarantee by our Controlling Shareholder will be released prior to [**REDACTED**]. For the abovementioned bank borrowing of RMB5.0 million and RMB5.0 million, respectively, guaranteed by Guarantee Company A the guarantee provided by Guarantee Company A was in turn personally guaranteed by our Controlling Shareholder and Huashi Media, pursuant to the request of the lending bank. The guarantees by our Controlling Shareholder will be released prior to [**REDACTED**]. All our bank borrowings guaranteed by the two Independent Third Parties were used for our operation and working capital.

Guarantee Company A is a state-owned limited liability company established in the PRC in May 2004 with a registered capital of approximately RMB222.2 million. It is principally engaged in provision of loan guarantees, bond issuance guarantees, bill acceptance guarantees, letter of credit guarantees and other financing guarantee businesses as well as financing consultation related to guarantee business in the PRC. Based on publicly available information, the number of employees of Guarantee Company A is less than 50. No financial information of Guarantee Company A is available from public domain.

Guarantee Company B is a state-owned limited liability company established in the PRC in November 2020 with a registered capital of approximately RMB1,308.9 million. It is principally engaged in provision of loan guarantees, bond issuance guarantees, bill acceptance guarantees, letter of credit guarantees and other financing guarantee businesses as well as financing consultation related to guarantee business in the PRC. Based on publicly available information, the number of employees of Guarantee Company B is around 55 to 99.

Our Group became acquainted with Guarantee Company A through a bank in May 2022. As the bank had established a stable business and trust relationship with Guarantee Company A, after the bank accepted the loan application of our Group, it initially approached Guarantee Company A to provide guarantee on the bank borrowing of our Group. Guarantee Company A determined the requirement of counter-guarantees and the terms of guarantees including guarantee period and guarantee fees for our Group and then sent the draft guarantee agreements to us for review and approval.

Our Group became acquainted with Guarantee Company B through two banks in September 2022 and December 2022. As the banks had established a stable business and trust relationship with Guarantee Company B, after the banks accepted the loan applications of our Group, the banks initially approached Guarantee Company B to provide guarantees to the bank borrowings of our Group. Guarantee Company B determined the requirement of counter-guarantees and drafted the terms of guarantees including guarantee period and guarantee fees for our Group. After the terms of the guarantees were finalised, Guarantee Company B passed the draft guarantee agreements to the banks which then liaised with our Group for the approval of the guarantee agreements.

Our Directors confirm that, save for the guarantee relationship with our Group as discussed above, Guarantee Company A and Guarantee Company B or their respective shareholders, directors or associates do not have any past or present relationships or arrangements (including, without limitation, shareholding, family, employment, business, financing, trust, guarantee and fund flow) with our Company and our subsidiaries, their shareholders, directors, senior management, or any of their respective associates.

In addition, our Directors confirmed that our Group did not approach other financial institutions prior to obtaining the guarantees from Guarantee Company A and Guarantee Company B.

Our other loans from financial institutions as at 31 December 2022 was guaranteed by our Controlling Shareholder and was fully settled as at the Latest Practicable Date. All other loans from financial institutions were used for our operation and working capital.

Save as disclosed above, our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 31 December 2022 and up to the date of this document.

The lease liabilities represented our office premises for operations and were measured at present value of the lease payment that are not yet paid. The lease liabilities amounted to approximately RMB6.0 million, RMB4.5 million, RMB2.8 million and RMB1.9 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

As at 30 April 2023, being the latest practicable date for the purpose of the indebtedness statement, our Group had aggregate bank borrowings and facilities of approximately RMB43.1 million, of which approximately RMB7.1 million had not been utilised.

During the Track Record Period, the borrowing agreements with banks and a financial institution were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the borrowing agreements with banks and a financial institution.

Save as disclosed in paragraphs headed "Borrowings" and "Indebtedness" in this section, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, debentures, finance lease obligations or material contingent liabilities or guarantees outstanding as at 30 April 2023.

## WORKING CAPITAL

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, bank facilities, cash flows generated from our operations, and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that our Group has sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this document.

## CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of plant and equipment and intangible assets. Our capital expenditures were approximately RMB11.5 million, RMB0.7 million and RMB15.9 million for FY2020, FY2021 and FY2022, respectively. We principally funded our capital expenditures through our internal resources and bank borrowings.

| | **FY2020** | **FY2021** | **FY2022** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Plant and equipment | 5,715 | 677 | 15,851 |
| Intangible asset | 5,824 | – | – |
| | **11,539** | **677** | **15,851** |

As at the Latest Practicable Date, we did not have any significant capital commitments.

## CONTINGENT LIABILITIES

As at 30 April 2023, our Group did not have any other significant contingent liabilities.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at 30 April 2023, our Group had not entered into any material off-balance sheet commitments and arrangement.

## RELATED PARTY TRANSACTIONS

Except the emoluments paid to our Directors as set out in notes 13 and 31 to the Accountants' Report contained in Appendix I in the document, there were no related party transactions during the Track Record Period.

## CAPITAL COMMITMENTS

As at 31 December 2020, 2021 and 2022, our capital commitments contracted but not provided for were as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Capital expenditure of the Group contracted but not provided for | – | 14,000 | 11,000 |

We recorded a capital commitment of approximately RMB14.0 million and RMB11.0 million for acquiring the intangible asset as at 31 December 2021 and 2022.

## KEY FINANCIAL RATIOS

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

| | For the year ended/as at 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| Gross profit margin[1] | 41.5% | 36.6% | 50.3% |
| Net profit margin[2] | 23.5% | 11.7% | 22.2% |
| Gearing ratio[3] | 21.3% | 38.6% | 43.3% |
| Current ratio[4] | 3.1 times | 2.1 times | 2.1 times |
| Return on equity[5] | 46.4% | 38.1% | 48.5% |
| Return on assets[6] | 31.0% | 20.7% | 28.1% |
| Interest coverage ratio[7] | 271.7 times | 53.8 times | 44.4 times |
| Net debt to equity ratio[8] | Net cash | Net cash | 39.9% |

*Notes:*

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the profit for the year by the revenue for the respective year multiplied by 100%.
3. The gearing ratio is calculated by dividing the sum of total bank and other borrowings and lease liabilities by total equity as at the end of respective year multiplied by 100%.
4. The current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year.
5. Return on equity equals profit for the year divided by the total equity as at the end of the respective year multiplied by 100%.
6. Return on assets is calculated profit for the year divided by the total assets as at the end of the respective year multiplied by 100%.
7. Interest coverage ratio is calculated by dividing profit before interest and taxes by interest on borrowings.
8. Net debt to equity ratio equals net debt divided by total equity at the end of the year multiplied by 100%. Net debt includes bank borrowings and lease liabilities net of bank balances and cash and amount due from related parties.

### Gross profit margin

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

### Net profit margin

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

### Gearing ratio

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

### Current ratio

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

### Return on equity

Our return on equity decreased from approximately 46.4% for FY2020 to approximately 38.1% for FY2021, primarily attributable to the decrease in profit for the year. Our return on equity for FY2022 increased to approximately 48.5%, primarily attributable to the increase in profit for the year.

### Return on assets

Our return on assets decreased from approximately 31.0% for FY2020 to approximately 20.7% for FY2021, primarily attributable to the decrease in profit for the year. Our return on assets increased from approximately 20.7% for FY2021 to approximately 28.1% for FY2022, primarily attributable to the increase in profit for the year.

### Interest coverage ratio

Our interest coverage ratio decreased from approximately 271.7 times for FY2020 to approximately 53.8 times for FY2021, which was due to the decrease in profit before interest and taxes. Our interest coverage ratio decreased to approximately 44.4 times for FY2022 mainly due to the increase in borrowings for FY2022.

### Net debt to equity ratio

We had net cash as at 31 December 2020 and 2021, respectively. As a result of the increase in bank borrowings, our net debt to equity ratio amounted to approximately 39.9% as at 31 December 2022.

## FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including interest rate risk, credit risk and liquidity risk. Details of the risks to which we are exposed to are set out in note 35 to the Accountants' Report set out in Appendix I in this document.

## DIVIDENDS

On 18 August 2020, Huashi Media declared and paid an aggregate dividend of RMB17.4 million to its then shareholders. Save as above, no other dividends have been paid or declared by us during the Track Record Period. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the [**REDACTED**], while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Company currently does not have any predetermined dividend payout ratio. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial position, working capital, capital requirements and other factors our Board may deem relevant. We will review our dividend policy from time to time. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

## DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 18 February 2021 as an investment holding company and had no reserve available for distributions to our Shareholders as at 31 December 2022.

## [**REDACTED**]

The estimated total [**REDACTED**] in connection with the [**REDACTED**] are approximately HK$[**REDACTED**] or RMB[**REDACTED**] (based on the [**REDACTED**] of the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]), of which approximately RMB[**REDACTED**] is expected to be deducted from the equity. During the Track Record Period, we incurred [**REDACTED**] of approximately RMB[**REDACTED**]. We expect to incur additional [**REDACTED**] (including [**REDACTED**]) of approximately RMB[**REDACTED**] subsequent to 31 December 2022, which is expected to be recognised as expenses in the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2023 and approximately RMB[**REDACTED**] is expected to be recognised as a deduction in equity directly. The [**REDACTED**] above are the latest practicable estimate for reference only, and the act amount may differ from this estimate.

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

## UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited [**REDACTED**] adjusted consolidated net tangible assets, please refer to the section headed "Unaudited [**REDACTED**] Financial Information" in Appendix II to this document.

## RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue and cost structure basically remained unchanged subsequent to the Track Record Period and up to the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, we entered into 31, nil, 82, 181 and 54 contracts of our branding services, traditional offline media advertising services, online media advertising services, provision of advertisement placement services and event execution and production services, with an aggregate contract sum of approximately RMB57.1 million, nil, RMB18.1 million, RMB24.5 million (which only included the outstanding contract sum of five contracts of provision of advertisement placement services, while no contract sum was stipulated in the remaining 176 framework agreements) and RMB21.1 million, respectively.

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

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

(ii) there were 4 online media advertising projects, with an outstanding contract sum of approximately RMB0.5 million;

(iii) there were 182 ongoing provision of advertisement placement services projects, of which the aggregate outstanding contract sum of five contracts were approximately RMB15.9 million, while no contract sum was stipulated in the remaining 177 framework agreements; and

(iv) there were 17 event execution and production services projects, with an outstanding contract sum of approximately RMB0.3 million.

Save for the [**REDACTED**] in connection with the [**REDACTED**], our Directors confirm that there had been no material adverse change in our financial or trading position since 31 December 2022, being the date of which our latest audited consolidated financial statements were made up, and up to the date of this document.

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

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.