Huashi Group Holdings Limited
华视集团控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1111)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Huashi Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results for the year ended 31 December 2023 ("**FY2023**") of the Company, together with its subsidiaries (collectively, the "**Group**" or "**We**"), together with the comparative figures for the year ended 31 December 2022 ("**FY2022**") as follows:

FINANCIAL SUMMARY

	FY2023	FY2022	Year-on-Year Changes
	(RMB,000,000, except for percentage)		
Revenue	**234.7**	207.2	13.3%
Gross profit	**149.9**	103.3	45.1%
Profit before income tax expense	**78.8**	55.6	41.7%
Profit for the year	**65.0**	45.7	42.2%
Adjusted net profit	**80.7**	50.4	60.1%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	3	**234,747**	207,167
Cost of services		**(84,886)**	(103,882)
Gross profit		**149,861**	103,285
Other income and other losses, net	4	**4,038**	402
Selling and marketing expenses		**(10,659)**	(6,406)
Administrative expenses		**(39,011)**	(29,544)
Listing expenses		**(15,745)**	(4,735)
Provision for expected credit loss on financial and contract assets, net		**(7,435)**	(5,935)
Finance costs		**(2,271)**	(1,457)
Profit before income tax expense		**78,778**	55,610
Income tax expense	5	**(13,795)**	(9,951)
Profit for the year		**64,983**	45,659
Profit for the year attributable to:			
Owners of the Company		**64,983**	45,659
		64,983	45,659
Earnings per share attributable to owners of the Company			
Basic and diluted *(RMB cents)*	7	**9.79**	7.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Plant and equipment		**16,982**	17,958
Right-of-use assets		**3,383**	1,804
Intangible asset		**2,404**	3,569
Deferred tax assets		**3,242**	1,649
Prepayments		**45,432**	9,000
		71,443	33,980
Current assets			
Contract assets		**1,008**	2,319
Trade receivables	*8*	**243,311**	102,602
Deposits, prepayments and other receivables		**7,217**	20,586
Amount due from shareholders		**–**	307
Cash and cash equivalents		**171,023**	2,874
		422,559	128,688
Total assets		**494,002**	162,668

	Notes	2023 RMB'000	2022 RMB'000
Liabilities			
Current liabilities			
Trade payables	*9*	**84,899**	7,908
Accruals and other payables		**7,820**	7,206
Contract liabilities		**1,873**	4,357
Lease liabilities		**1,149**	1,844
Borrowings		**107,950**	37,224
Income tax payable		**2,867**	3,877
		206,558	62,416
Net current assets		**216,001**	66,272
Total assets less current liabilities		**287,444**	100,252
Non-current liabilities			
Borrowings		**10,990**	719
Lease liabilities		**6,628**	996
Deferred tax liabilities		**7,217**	4,409
		24,835	6,124
Total liabilities		**231,393**	68,540
NET ASSETS		**262,609**	94,128
Equity attributable to owners of the Company			
Share capital		**276,515**	322
Reserves		**(13,906)**	93,806
TOTAL EQUITY		**262,609**	94,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands on 18 February 2021 with limited liability under the Companies Act (as revised) of the Cayman Islands. The address of Company's registered office is located at 71 Fort Street, PO Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The Company's principal place of business is located at the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding. The Group is principally engaged in provision of branding, advertising and marketing services and advertisement placement services in the PRC.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (collectively HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The preparation of financial statements in compliance with adopted HKFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

i. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

ii. Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

iii. New standards, interpretations and amendments adopted from 1 January 2023

The following new and amendments to HKFRS are effective for the period beginning 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements	Disclosure of Accounting Policies
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
Amendments to HKAS 12 Income Taxes	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendment to HKAS 12 Income Taxes	International Tax Reform – Pillar Two Model Rules

These amendments to various HKFRS and HKAS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023.The Group has applied the above amendments for their annual reporting period commencing 1 January 2023.

The Group has assessed the implication of the above new standard and amendments to HKFRSs does not have a material impact on the Group's financial positions and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements, except as described below.

Disclosure of Accounting Policies (Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements)

The HKICPA issued HKFRS Practice Statement 2 Making Materiality Judgements in March 2021 to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. In April 2021, the HKICPA issued amendments to HKAS 1 and HKFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose "significant accounting polices" with "material accounting policy information". The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

New standards, interpretations and amendments not yet effective

At the date of the report, HKICPA has issued certain amendments to HKFRSs that have been issued but are not yet effective and have not been adopted early by the Group. The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on amendments to HKFRSs is provided below.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Loan that Contains a Repayment on Demand Clause[1]
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024 with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2025 with earlier application permitted.

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Group do not anticipate that the application of the amendments to HKFRSs will have material impact on the Group's financial statements and/or the disclosures to the Group's financial statements.

3. REVENUE

Revenue mainly comprises of provision of branding, advertising and marketing service and advertisement placement services. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 were as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Branding services	**94,503**	90,502
Event execution and production services	**47,941**	41,380
Online media advertising services	**42,425**	48,145
Traditional offline media advertising services	**–**	2,204
Advertisement placement services	**34,078**	16,515
Rebates from Media Partner	**15,800**	8,421
	234,747	207,167

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Services transferred over time	**146,935**	173,346
Services transferred at a point in time	**87,812**	33,821
	234,747	207,167

4. OTHER INCOME AND OTHER LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Interest income	**791**	149
Government grants *(Note a)*	**729**	3
Input value-added tax surplus deduction *(Note b)*	**3,805**	250
Exchange loss	**(1,287)**	–
	4,038	402

Notes:

(a) Government grants represented the financial support received from local government as an incentive for business development and there are no unfulfilled conditions attached to the government grants.

(b) Input value-added tax surplus deduction amounted to RMB3,805,000 (2022: RMB250,000) was recognised in profit or loss due to the value-added tax reform. In accordance with value-added tax Reformation Article No.39, the Group is eligible for additional VAT credits by 10% of the current period creditable value-added tax input from 1 April 2019 to 31 December 2021.The implementation period was further extended to 31 December 2022 according to announcement No.11 by General Department of Taxation in 2022. In accordance with announcement No.1 by General Department of Taxation in 2023, the Group is eligible for additional deduction by 5% of the current period creditable value-added tax input from 1 January 2023 to 31 December 2023.

5. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Tax for the current year	**12,580**	8,802
Deferred tax		
Charged to profit or loss for the year	**1,215**	1,149
	13,795	9,951

Under the Law of the PRC on Enterprise Income Tax ("**EIT**") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

Provision for the EIT for the year then ended was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Huashi Media, one of the subsidiaries of the Company, is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023 and 2022, as it was awarded high-technology status by tax authority.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before income tax expense	**78,778**	55,610
Tax calculated at a tax rate of 25%	**19,695**	13,902
Tax effects of different tax rates applicable to different subsidiaries of the Group	**(5,462)**	(4,886)
Tax effect of expenses not deductible for tax purposes	**1,209**	1,594
Effect attributable to the additional qualified tax deduction relating to research and development costs	**(2,839)**	(1,912)
Tax effect of tax losses not recognised	**43**	109
Tax effect of other temporary differences recognised	**1,215**	1,149
Utilisation of tax losses previously not recognised	**(66)**	(5)
Income tax expense	**13,795**	9,951

6. DIVIDEND

No dividend was paid or declared by the Company during the years ended 31 December 2023 and 2022.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2023	2022
Profit for the year attributable to owners of the Company *(RMB'000)*	**64,983**	45,659
Weighted average number of shares in issue	**663,458,219**	645,650,000
Basic earnings per share *(RMB cents)*	**9.79**	7.07

Note:

The weighted average of 663,458,219 (2022: 645,650,000) shares used in the calculation of the basic earnings per share for the year assumed the Capitalisation Issue in November 2023 had occurred at the beginning of the year ended 31 December 2022.

Diluted earnings per share presented is the same as the basic earnings per share as there was no dilutive potential ordinary share outstanding during the year ended 31 December 2023 (2022: Same).

8. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**259,426**	110,756
Less: allowance for impairment loss on trade receivables	**(16,115)**	(8,154)
	243,311	102,602

As at 31 December 2023 and 2022, the trade receivables was denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on due date were as follows:

	2023	2022
	RMB'000	*RMB'000*
Not past due		
Within 90 days	**227,939**	102,554
91–180 days	**15,372**	48
181–365 days	**–**	–
Over 1 year	**–**	–
	243,311	102,602

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on invoice date were as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**227,939**	102,554
91–180 days	**15,372**	48
181–365 days	**–**	–
Over 1 year	**–**	–
	243,311	102,602

9. TRADE PAYABLES

As at 31 December 2023 and 2022, the ageing analysis of the trade payables based on services received were as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**79,265**	3,615
31–60 days	**2,688**	3,963
61–90 days	**1,079**	69
Over 90 days	**1,867**	261
	84,899	7,908

MANAGEMENT DISCUSSION AND ANALYSIS

2023 Business Review

The Group is a branding, advertising and marketing service provider based in Hubei Province, the PRC, providing services across the entire value chain from market research through collaboration with research institutes to execution of branding, advertising and marketing projects through collaboration with different media resources suppliers so as to assist brand owners, advertisers and advertising agents in formulating and implementing effective service proposals to fulfil their promotional needs and marketing objectives, thereby further enhancing their brand reputation to targeted recipients, and improving the competitiveness and market share of their products or services. As at 31 December 2023, the Group entered into contracts with customers with an aggregate amount of RMB883.2 million. As at 31 December 2023, 97.3% (approximately RMB859.2 million) of our services were provided to our customers.

Branding services

The Group provides branding services to our customers where we will conduct market research and formulate comprehensive and customised branding services proposals for our customers: (i) market research and industry data analysis on industries in which our customers are engaged through collaboration with research institutes; (ii) planning of brand development strategies, involving identification of core values of brands and advice on brand positioning and target customers; (iii) design of brand image; and (iv) formulation of products and/or services marketing and brand promotional plans, covering various areas, including corporate brand building, products and/or services positioning, and marketing and sales strategies.

Online media advertising services

The online media advertising services of the Group mainly includes understanding the marketing needs of customers, analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms, providing suggestions to customers on the forms of online advertisements and the types of online platforms based on their marketing needs, and liaising with online advertising resources providers for sourcing of advertising resources and execution of advertisement placements according to the instructions of the customers. The Group offers customers suggestions on the forms of online advertisements and the types of online platforms after analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms. The two major forms of online media advertising spaces the Group offers are (i) display advertising where promotional messages would appear on websites, applications or social media platforms through banners or other advertisement formats made of text, images, flash and video; and (ii) search engine advertising where name, brand and/or products of the advertisers will appear on the website's search results when the consumers have entered the relevant keywords.

Event execution and production services

The Group's event execution and production services promote the brands, services and products of the customers by assisting its customers in formulating, organizing and implementing marketing campaigns and activities, and cover all stages of organising marketing campaigns, which includes (i) formulating campaign strategies; (ii) devising design of the programmes, work plans and rundown of events; (iii) execution of the projects through procuring supply of materials and engaging third-party service providers; (iv) assisting with project management and overseeing the execution of marketing campaigns; and (v) evaluating the effectiveness of the marketing campaigns through public opinion.

Advertisement placement services

The Group provides advertisement placement services, which comprises formulation of online advertisement plan, maintaining the accounts of the customers opened at the advertising platform of the Media Partner *(Note 1)* and arranging advertisement placement on the designated online media platforms of the Media Partner according to the requests of our customers. As an ancillary service, the Group will also design and produce short advertisement videos based on the request of our customers. The Media Partner will charge us primarily based on a mixed basis of CPC, CPT and CPM *(Note 2)*, while we will charge our customers a fee comprising (i) the cost for placing the advertisement on the online media platforms charged by the Media Partner based on the above pricing mechanism (i.e. CPC, CPT and CPM); (ii) our service fee for advertisement placement and other related services, which is equivalent to a certain percentage of the costs of advertisement placement on the online media platforms of the Media Partner; and (iii) the rebates we offered to our customers.

Notes:

1. The "Media Partner" is a renowned Chinese internet technology company which operates various popular online media platforms in the PRC.

2. "CPC" refers to Cost Per Click, a pricing model where advertising is paid on the basis of each click of the advertisement; "CPM" refers to Cost Per Mille, a pricing model where advertising is paid based on one thousand impressions of the advertisement. "CPT" refers to Cost Per Time, a time-based pricing model where advertising is paid on a fixed price for a given period.

Traditional offline media advertising services

The major offline media advertising spaces the Group offers are (i) TV advertising space; (ii) radio advertising space; and (iii) outdoor advertising space. Our services cover most of the key stages in placing advertisement, including identifying the appropriate media mix, preparing the advertising proposal, procurement of advertising resources, arranging and supervising the placement of advertisements and evaluation of the advertisements' effectiveness.

Business Outlook

We will strengthen our market position as a branding, advertising and marketing service provider in the PRC. In the future, we will provide our customers with comprehensive brand strategies and service solutions by establishing brand data platforms and R&D databases; continue to strengthen and deepen cooperation with the leading network platforms; enhance the competitiveness of online media advertising platforms and develop our in-house content production capabilities; continue to expand our geographic coverage, further enhance our brand recognition, increase our marketing efforts and pursue strategic cooperation and investment opportunities selectively.

FINANCIAL REVIEW

The Group generated revenue primarily from the following services, which include 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 rebates from Media Partner) to our customers. For FY2023, we recorded revenue of RMB234.7 million, representing an overall increase of RMB27.5 million and an increase rate of 13.3% over the previous year.

Revenue Breakdown by Service Type

The table below sets forth the breakdown of our revenue and percentage contribution to our revenue by service type for the years indicated:

	FY2023		FY2022	
		Approximate % of total revenue		Approximate % of total revenue
	RMB'000	*%*	*RMB'000*	*%*
Branding services	94,503	40.3	90,502	43.7
Traditional offline media advertising services	–	–	2,204	1.1
Event execution and production services	47,941	20.4	41,380	20.0
Advertisement placement services (i)	34,078	14.5	16,515	8.0
Rebates from Media Partner (i)	15,800	6.7	8,421	4.0
Online media advertising services (ii)	42,425	18.1	48,145	23.2
Total	234,747	100	207,167	100

During FY2023, we recorded significant revenue growth in "branding services", "event execution and production services", "advertisement placement services" and "rebates from Media Partner" as compared with the previous year, mainly due to the fact that the Group actively developed its own business and established cooperation with more new clients. The increase of revenue in "rebates from Media Partner" was mainly due to the growth in "advertisement placement services" which resulted in more advertisement placements on major online media platforms of the Media Partner and more rebates offered to the Group by the Media Partner. The decrease of revenue in "online media advertising services" was mainly due to the increase in revenue arising from some advertising agents ("**Relevant Advertising Agents**") under online media advertising services, and such revenue was recognised on a net basis, which most of the costs for the aforesaid services have been netted off with the gross revenue. No revenue in "traditional offline media advertising services" was recorded, mainly due to the Group's transition to focus on "online media advertising services" and "advertisement placement services".

(i) For our advertisement placement services (including rebates from Media Partner), we recognised revenue on a net basis.

Although the revenue from the Relevant Advertising Agents under online media advertising services and our advertisement placement services was recognised on a net basis according to HKFRS 15, we had also incurred various costs in providing the aforesaid services. According to HKFRS 15, for both online media advertising services to the Relevant Advertising Agents and advertisement placement services, we netted off the amounts paid to the suppliers to arrange for the relevant advertising resources for the customers with the gross revenue. However, the staff costs and depreciation incurred for the advertisement placement services will be separately presented under our cost of services.

According to HKFRS 15, "when an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or service to be provided by the other party. An entity's fee or commission would be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party". Therefore, the revenue from our advertisement placement services recognised under the net basis should be derived from the gross revenue deducting the amounts paid to the other party in exchange for the goods or services to be provided by that party, i.e. the amounts paid to the Media Partner to arrange for the relevant advertising services for the customers. The staff costs and depreciation in aggregate of approximately RMB1.7 million for FY2022 and RMB3.4 million for FY2023, respectively, for the advertisement placement services would be separately represented as cost of sales and should not be deducted from the relevant gross revenue.

(ii) For the Relevant Advertising Agents under online media advertising services, we recognised revenue on a net basis. In accordance with HKFRS 15, in FY2023 and FY2022, the direct costs incurred for our online media advertising services provided to the Relevant Advertising Agents had been deducted from the gross revenue to derive the revenue from these services under the net basis. Other than the above-mentioned costs paid to the suppliers, no other direct costs were incurred by us in relation to the online media advertising services provided to the Relevant Advertising Agents.

Cost of Services

The Group's cost of services decreased from RMB103.9 million for FY2022 to RMB84.9 million for FY2023, primarily attributable to the increase in revenue of the advertisement placement services and online media advertising services provided to the Relevant Advertising Agents in FY2023, the Group recognised revenue from the aforesaid businesses on a net basis and most of the costs had been netted off with the gross revenue.

Gross Profit and Gross Profit Margin

Our overall gross profit and gross profit margin for FY2022 and FY2023 was affected by our cost of services, which were project specific and affected by our service mix, customised services we provided and scale of each project. As a result, the Group's gross profit and gross profit margin may vary from project to project.

The Group's gross profit increased from RMB103.3 million in FY2022 to RMB149.9 million in FY2023, and the gross profit margin increased from 49.9% in FY2022 to 63.9% in FY2023, mainly due to the increase in the Group's revenue from its advertisement placement services business (the revenue of which was recognized on a net basis), which most of the costs for the aforesaid services have been netted off with the gross revenue.

Other Income and Other Losses, Net

The Group's other income increased from RMB0.4 million in FY2022 to RMB4.0 million in FY2023, primarily attributable to the increase in input value-added tax surplus deduction by RMB3.6 million as a result of the increase in our purchase of services from the Media Partner for our advertisement placement services for FY2023.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased from RMB6.4 million for FY2022 to RMB10.7 million for FY2023, mainly due to (i) the increase in salaries as a result of the increase in number of staff in our sales team and media operation team for business expansion; and (ii) the increase in office expenses mainly attributable to the increase in office equipment for our business expansion during the year.

Administrative Expenses

The Group's administrative expenses (including listing expenses) increased from RMB34.3 million in FY2022 to RMB54.8 million in FY2023, primarily due to (i) the year-on-year increase in office expenses, travel expenses and research and development expenses as a result of the business growth of the Group; and (ii) the increase in the professional fees related to the Listing.

Liquidity and Capital Resources

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB171.0 million (denominated in RMB, HK$ and US$), representing an increase of RMB168.1 million as compared with RMB2.9 million (denominated in RMB) as at 31 December 2022, primarily due to (i) the proceeds from the Listing; (ii) the increase in borrowings; and (iii) the collection of the trade receivables.

During FY2023, we have financed our operation needs primarily through cash flows from operating activities and borrowings. We derived our cash flows from operating activities principally from the revenue from our principal activities. We monitor our working capital positions from time to time to ensure maintaining sufficient cash resources for daily operations and capital expenditure needs.

Income Tax Expense

The Group's PRC corporate income tax expense increased from RMB8.8 million in FY2022 to RMB12.6 million in FY2023, and income tax expense increased from RMB10.0 million in FY2022 to RMB13.8 million in FY2023, which was mainly due to the further increase in the Group's profit before income tax expenses in FY2023.

	FY 2023 ***RMB'000***	FY 2022 *RMB'000*
Current year – PRC corporate income tax	**12,580**	8,802
Deferred tax	**1,215**	1,149
Total	**13,795**	9,951

Profit for the Year

As a result of the foregoing, for FY2022 and FY2023, (i) the Group's profit for the year was RMB45.7 million and RMB65.0 million, respectively; and (ii) the net profit margin (i.e. profit for the year divided by revenue) was 22.1% and 27.7%, respectively.

Capital Structure

As at 31 December 2023 and up to the date of this announcement, the authorised share capital of the Company was US$50,000,000 divided into 1,000,000,000 share of US$0.05 each, and the issued share capital of the Company was US$38,532,500 divided into 770,650,000 shares of US$0.05 each. For details of changes in share capital, please refer to the Company's prospectus dated 31 October 2023.

Gearing Ratio

As at 31 December 2023, the Group's total borrowings were RMB118.9 million (loans were denominated in RMB). Among those borrowings, 9.2% of which were classified as non-current liabilities, and 90.8% of which were classified as current liabilities.

As at 31 December 2023, the gearing ratio of the Group (being the sum of total bank and other borrowings and lease liabilities divided by total equity multiplied by 100%) increased to 48.3% as at 31 December 2023 from 43.3% as at 31 December 2022, such increase was mainly due to the increase in bank borrowings of the Group in FY2023.

Pledge of Assets

As at 31 December 2023, the Group had no pledged assets.

Non-HKFRS Measures

In order to supplement our consolidated statements of profit or loss, which are presented in accordance with HKFRS, we also use adjusted profit (Non-HKFRS measure), which is not required by, or presented in accordance with HKFRS. We believe this non-HKFRS measure helps identify underlying trends in our business and therefore provide useful information to 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 (Non-HKFRS measure), as profit for the year adjusted by Listing expenses relating to the Global Offering.

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

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

	FY2023	FY2022
	RMB'000	*RMB'000*
Profit for the year	**64,983**	45,659
Adding back: Listing expenses	**15,745**	4,735
Adjusted profit (Non-HKFRS measure)	**80,728**	50,394

Foreign Exchange Risk Management

Foreign exchange risk refers to the risk of loss due to changes in foreign currency exchange rates. The Group's business is principally operated in the PRC and most of the transactions are denominated and settled in RMB. The Group will closely monitor the situation and take certain measures when necessary to ensure that the foreign exchange risk is within the controllable range. During FY2023, the Group did not use any financial instruments for hedging purposes.

Employees

As at 31 December 2023, the Group had 198 full-time employees, all of whom are located in the PRC. The Group enters into a standard employment contract with each of our full-time employees with terms covering, among other things, position, salaries, employment term, working hours, leave arrangements and other benefits. The remuneration package the Group offers to our employees includes basic salary and discretionary bonuses. In general, we determine our employees' salaries based on, amongst others, their qualifications, seniority, working hours, performance, our financial performance and market wages. We generally review the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions annually. For FY2023, the total staff remuneration expenses (including directors' emoluments) amounted to RMB20.7 million (FY2022: RMB14.8 million).

Capital Expenditure

During FY2023, the Group incurred capital expenditures due to the purchase of equipment and intangible assets. The Group's capital expenditure decreased from RMB15.9 million in FY2022 to RMB3.9 million in FY2023, which was primarily due to the decrease in capital expenditures for the purchase of equipment and intangible assets. The Group financed its capital expenditure mainly through internal resources and bank borrowings.

Contingent Liabilities

As at 31 December 2023, the Group did not have any significant contingent liabilities.

Material Acquisitions, Disposals of Subsidiaries, Associates and Joint Ventures and Material Investments

In FY2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures and did not hold any material investments.

Use of Net Proceeds from the Global Offering

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 November 2023 (the "**Listing Date**"). The Company issued 125,000,000 shares in the Global Offering (as defined in the prospectus of the Company dated 31 October 2023) at the offer price of HK$1.04 per share. The Group received net proceeds from the Global Offering (after deducting underwriting fees and commissions and other expenses payable by the Group in connection with the Global Offering) of approximately HK$72.1 million.

Please refer to the Company's annual report for FY2023 to be published in due course for details on the use of the net proceeds and the expected timetable of the unutilised funds.

Future Plans for Material Investments or Capital Assets

As at the date of this announcement, the Group had no detailed future plans for any material investments or capital assets.

Events after the Reporting Period

There have been no significant matters subsequent to the reporting period and up to the date of this announcement.

Final Dividend

The Board does not recommend the payment of any final dividend for FY2023. There is no arrangement under which any shareholder has waived or agreed to waive any dividend.

Closure of Register of Members

In order to determine the entitlement of shareholders to attend and vote at the annual general meeting on Thursday, 27 June 2024, the register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 June 2024 (Hong Kong time).

Code of Corporate Governance

The Group is committed to maintaining high standards of corporate governance to protect the interests of shareholders and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 to the Listing Rules as its own code of governance.

Since the Listing Date and up to 31 December 2023, except for deviations from Code Provision C.1.8 and C.2.1 of the CG Code, the Company has complied with all applicable code provisions set out in the CG Code.

Under Code Provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. Currently, the Company does not have insurance cover for legal action against its Directors. Every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. However, as the Company considered its risk management and internal control systems are effective and constantly under review, and as all the executive Directors and management are familiar with the operation of the Group, the Company believes that the risk of the Directors being sued or getting involved in litigation in their capacity as Directors is relatively low, and hence the Company is of the view that the benefits of the insurance may not outweigh the cost.

Under Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive officer shall be separated and shall not be performed by the same individual. Mr. Chen Jicheng is the chairman and chief executive officer of the Company and the roles of Mr. Chen Jicheng have not been separated in accordance with Code Provision C.2.1 of the CG Code.

In view of the fact that Mr. Chen has been responsible for the day-to-day operation and management of the Group since February 2011, and has accumulated extensive experience and knowledge in our business, the Board believes that Mr. Chen can undertake effective management and business development in both roles, which is in the best interests of the Group. Accordingly, the Directors are of the opinion that the deviation from Code Provision C.2.1 of the CG Code is appropriate under such circumstance. The Board considers that this management structure is effective for the business operation of the Group and can form sufficient checks and balances.

The Group will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Model Code for Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by all Directors and related employees (as defined in the Model Code). Having made specific enquiry of all Directors, each of the Directors has confirmed that they have complied with the required standard set out in the Model Code from the Listing Date and up to 31 December 2023.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 31 December 2023, neither the Company nor any of its subsidiaries nor any of its consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Board has established the Audit Committee pursuant with Rules 3.21 and 3.22 of the Listing Rules and Code Provision D.3 of the CG Code with written terms of reference adopted. The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company respectively.

From the Listing Date and up to the end of the reporting period, the Audit Committee comprises three independent non-executive Directors (i.e. Dr. He Weifeng, Mr. Peng Litang and Mr. Li Guangdou). Dr. He Weifeng is currently the chairman of the Audit Committee and has the appropriate professional qualifications.

The Group's accounting principles and practices, consolidated financial results and related materials for FY2023 have been reviewed by the Audit Committee.

Scope of Work for Auditors

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this annual results announcement have been agreed by the Group's auditors, BDO Limited ("**BDO**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this annual results announcement.

Publication of Annual Results and 2023 Annual Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youmeimu.com), and the annual report of the Company for FY2023 containing all the information required by the Listing Rules will be despatched to the shareholders (if requested) and published on the above websites in due course.

By order of the Board
Huashi Group Holdings Limited
Chen Jicheng
Chairman and Chief Executive Officer

Wuhan, the PRC, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Chen Jicheng, Ms. Wang Shujin, Mr. Zhang Bei and Ms. Xue Yuchun as executive Directors, and Mr. Li Guangdou, Mr. Peng Litang, Dr. He Weifeng and Mr. How Sze Ming as independent non-executive Directors.