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

2023 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jicheng (Chairman and Chief Executive Officer)
Ms. Wang Shujin
Mr. Zhang Bei
Ms. Xue Yuchun

Independent Non-executive Directors

Dr. He Weifeng
Mr. Peng Litang
Mr. Li Guangdou
Mr. How Sze Ming

AUDIT COMMITTEE

Dr. He Weifeng (Chairman)
Mr. Peng Litang
Mr. Li Guangdou

REMUNERATION COMMITTEE

Mr. Peng Litang (Chairman)
Ms. Wang Shujin
Dr. He Weifeng

NOMINATION COMMITTEE

Mr. Chen Jicheng (Chairman)
Mr. Li Guangdou
Mr. Peng Litang

COMPANY SECRETARY

Ms. Lai Janette Tin Yun

AUTHORISED REPRESENTATIVES

Ms. Xue Yuchun
Ms. Lai Janette Tin Yun

REGISTERED OFFICE

71 Fort Street
PO Box 500, George Town
Grand Cayman KY1–1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1st Floor, Block 2 Office Building
Phase II Shuisheng Keji Yuan
1 Chagang Xincun Dongyuan
Wuchang District, Wuhan
Hubei Province, the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited
71 Fort Street
PO Box 500
George Town
Grand Cayman KY1–1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

AUDITORS

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance
25th Floor, Wing On Centre
111 Connaught Road Central
Central, Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited
Office No. 710, 7F, Wing on House
71 Des Voeux Road Central
Central, Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

As to PRC law:
Hubei Huajun & Co
23F, Block B, Ruitong Plaza
No. 847 Jianshe Avenue
Hankou District
Wuhan, the PRC

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd.
Wuhan Shuiguohu Sub-branch
No. 15, Shuiguohuheng Road, Wuchang District, Wuhan City
Hubei Province, the PRC

Shanghai Pudong Development Bank Co., Ltd.
Wuhan Xudong Sub-branch
No.163–7, Tieji Road, Hongshan District, Wuhan City
Hubei Province, the PRC

Wuhan Rural Commercial Bank Co., Ltd.
Youyi Avenue Sub-branch
No. 19 Youyi Avenue, Jiyuqiao Street, Wuchang District, Wuhan City
Hubei Province, the PRC

COMPANY WEBSITE

www.youmeimu.com

STOCK CODE

1111

LISTING DATE

10 November 2023

FINANCIAL SUMMARY

	For the years ended 31 December		
	2023	2022	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%

	For the years ended 31 December			
	2023	2022	2021	2020
	(RMB,000,000)			
Revenue	**234.7**	207.2	157.6	103.4
Gross profit	**149.9**	103.3	57.7	42.9
Profit before income tax expense	**78.8**	55.6	23.2	29.7
Profit for the year	**65.0**	45.7	18.5	24.3
Adjusted net profit	**80.7**	50.4	29.9	24.4

	As at 31 December			
	2023	2022	2021	2020
	(RMB,000,000)			
Non-current assets	**71.4**	34.0	21.5	19.0
Current assets	**422.6**	128.7	68.2	59.5
Current liabilities	**206.6**	62.4	32.3	19.4
Non-current liabilities	**24.8**	6.1	9.0	6.5
Total equity attributable to owners of the parent	**262.6**	94.1	48.5	52.5

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 was an important year for the Company to step on a new stage. Our Shares have been successfully listed on the Main Board of the Stock Exchange in November 2023. On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2023, our first annual report since our Listing on the Stock Exchange.

The Group is principally engaged in branding, advertising and marketing service businesses. Leveraging on profound professional competence and solid partnerships, we have developed our business steadily and rapidly over the past decade by keeping pace with the times, and proactively responding to industry changes and seizing market opportunities. We have established solid and strategic relationships with suppliers of a wide range of advertising resources. We have been appointed by a national broadcaster in the PRC, as its authorised advertising agency for seven consecutive years since 2016. We have also established long-standing relationships for approximately four to six years with other major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province, Hunan Province, Zhejiang Province, Shanghai and Beijing. These long-established relationships give us competitive edge in securing valuable advertising resources such as online advertising resources in popular online social media, e-commerce and OTT platforms, the most updated information regarding the advertising resources available across different media platforms and channels.

We have deployed our presence nationwide and increased our marketing effort and achieved business growth by expanding the geographic reach of our services to various provinces in the PRC. Riding on our market position in the industry in Hubei Province and leveraging on our established long-standing relationships with major provincial satellite TV station operators, media companies and advertising agencies based in Hubei Province, our customers in Hubei Province contributed the major results, while customers in Shandong Province also contributed increased revenue.

We have started providing online media advertising services since 2018. Leveraging our existing business network and experience in the advertising industry and targeting audiences through our technology platform and service capabilities, we continued able to empower customers and partners, assisting them in gaining more growth in business. During the year, revenue generated from online media advertising services and advertisement placing business increased significantly and we established a wholly-owned subsidiary, Wuhan Huayan Tiancheng Technology Company Limited (武漢華顏天成科技有限公司) in December 2023, to focus on online media advertising services and advertisement placement business.

CHAIRMAN'S STATEMENT

We are pleased to report that the Group has maintained a remarkable growth despite the global economic pressure. For the year ended 31 December 2023, the Group recorded an increase in net profit of 42.2% to RMB65.0 million. Adjusted net profit increased by 60.1% to RMB80.7 million. Total revenue amounted to RMB234.7 million, representing an increase of 13.3% from RMB207.2 million in 2022. The gross profit increased by 45.1% from RMB103.3 million in 2022 to RMB149.9 million in 2023.

In recent years, the global economy has gradually recovered from the shadows of the pandemic. As the business environment in China has been rapidly changing, enterprises have gradually ended the growth mode of rapid expansion, and the demand for high-quality and efficient marketing channels has been increasing. We will continue to promote innovation, actively embrace the latest trends, and steadily build strategic partnerships, so as to help enterprises achieve high quality growth.

Looking forward, we will provide customers with comprehensive branding strategies and services solutions by establishing our brand data platform and research and development database; continue to consolidate and deepen our cooperation with leading network platforms; strengthen the competitiveness of our online media advertising platform and develop our in-house content production capabilities; continue to expand our geographical coverage of our services, further enhance our brand recognition, increase our marketing efforts and seek strategic cooperation and investment opportunities.

ACKNOWLEDGMENT

On behalf of the board of directors, I would like to express my sincere gratitude to all our employees, our customers and partners. At the same time, I would like to express my sincere gratitude to our shareholders and stakeholders for their continued support and trust.

Chen Jicheng
Chairman and Chief Executive Officer

Wuhan, the PRC
27 March 2024

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 contract 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report, the authorised share capital of the Company was US$50,000,000 divided into 1,000,000,000 shares 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. For details of the Group's borrowings, please refer to note 24 to the consolidated financial statements of this annual report.

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 RMB'000	FY2022 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 The Net Proceeds from the Global Offering

The shares of the Company were listed on the Main Board of The Stock Exchange on 10 November 2023. The Company issued 125,000,000 shares in the Global Offering 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.

Details of the use of net proceeds from the Global Offering are set out in the section headed "Use of the Net Proceeds from the Global Offering" of the Directors' Report.

Future Plans for Material Investments or Capital Assets

As at the date of this report, 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 report.

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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Jicheng (陳繼承先生), aged 34, joined our Group on 23 February 2011. He was appointed as our Director on 18 February 2021 and was re-designated as an executive Director on 9 October 2023. He is also our chairman of the Board, chief executive officer and general manager. He is primarily responsible for the overall operations, strategic management, business development, and formulating our Group's business operation plans. Mr. Chen is also our Controlling Shareholder and a chairman of our nomination committee.

Mr. Chen has accumulated over 12 years of experience in the brand, advertising and media industry. Prior to joining our Group, from October 2010 to May 2012, Mr. Chen worked as an assistant to the chairman of the board of directors of Yangjiang Shibazi Group Co., Ltd. (陽江十八子集團有限公司), a company principally engaged in production and sales of knife products. Mr. Chen has worked with Huashi Media as a deputy general manager from February 2011 to December 2013, as an executive director from December 2013 to August 2015, as a general manager since December 2013, and as chairman of the board of directors and chief executive officer since August 2015. Since December 2012, Mr. Chen has been appointed as an executive director of Huashi Chuangxiang. Since April 2017, he has been appointed as an executive director and general manager of Dabieshan Culture. Since February 2018, he has been appointed as an executive director and general manager of Wuyuan Fujie.

Mr. Chen is a vice president of Hubei Federation of Youth Entrepreneurs (湖北省青年民營企業家聯合會副會長) (January 2021 to December 2024), a managing director of the 8th Hubei Young Entrepreneurs Association (湖北省青年企業家協會第八屆常務理事) (2019-2022), a member of Wuhan Writers' Association (武漢作家協會會員), a member of the 7th session of the Governing Council of Hubei Provincial Red Cross (湖北省紅十字會第七屆理事會成員), a member of Hubei Federation of Industry and Commerce (Chamber of Commerce) (湖北省工商聯(總商會)), a member of the 14th Wuhan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議武漢市第十四屆政協委員) and a member of the 14th Wuchang District Committee of Wuhan's Chinese People's Political Consultative Conference (中國人民政治協商會議武漢市武昌區第十四屆政協委員). Mr. Chen was nominated as Top Ten Public Figures of China Economy (中國經濟十大新聞人物) in 2016, 2017 and 2020, was nominated as 2020 Top Ten Entrepreneur Stars in Wuchang District (2020年度武昌區十佳創業明星) in 2020 and was nominated as 2018 Annual Innovative Personnel of Chinese Economic Reform (2018中國經濟改革年度創新人物) in 2018. Mr. Chen is also a vice president of Hubei Youth Federation (湖北省青年聯合會副主席) since August 2022, a representative of the 13th National Congress of the China Federation of Industry and Commerce (中國工商業聯合會第十三次全國代表大會代表) since December 2022, and a committee member of the 13th Committee of Chinese People's Political Consultative Conference of Hubei Province (中國人民政治協商會議湖北省第十三屆委員會委員) since January 2023.

Ms. Wang Shujin (王書錦女士), aged 36, joined our Group on 12 May 2013 and was appointed as our Director on 18 February 2021 and was re-designated as an executive Director on 9 October 2023. She is also our senior vice president. She is primarily responsible for the implementation of the business supervision on marketing and achievement of sales targets of our Group. Ms. Wang is a member of our remuneration committee.

Ms. Wang has accumulated over 13 years of experience in the advertising and media industry. From September 2009 to November 2010, she worked as a sales manager of Changrong Media Co., Ltd. (昌榮傳媒股份有限公司), a company principally engaged in advertising design, production and agency services. From December 2011 to April 2013, she worked as a customer manager of Hubei Changjiang Television Broadcast and Advertising Co., Ltd. (湖北長江廣電廣告有限公司), a company principally engaged in advertising design, production and agency services. Since May 2013, she has worked in Huashi Media with her initial positions held as a deputy general manager and her current position as senior vice president.

Ms. Wang graduated from Hubei University of Education (湖北第二師範學院), formerly known as Hubei Institute of Education (湖北教育學院) in the PRC, in June 2007 with a college degree in art deco design (裝飾藝術設計).

Mr. Zhang Bei (張備先生), aged 34, joined our Group on 1 March 2018 and was appointed as our Director on 18 February 2021 and was re-designated as an executive Director on 9 October 2023. He is also our financial supervisor. He is primarily responsible for daily financial matters, financial planning and formulation and supervision of internal control policies of our Group.

Mr. Zhang has over 12 years of experience in the accounting and financing industry. Prior to joining our Group, Mr. Zhang worked as an accounting administrator of Xiamen Juxin Investment Co., Ltd. (廈門颶鑫投資有限公司), a company principally engaged in investment in the primary, secondary, and tertiary industries from July 2011 to February 2012. From March 2012 to February 2018, Mr. Zhang worked as a financial manager of Putian Cable Group Co., Ltd. (普天線纜集團有限公司), a subsidiary of Putian Communication Group Limited (普天通信集團有限公司) (stock code: 01720.HK), a company principally engaged in manufacture of telecommunication cable and supply of integrated wiring and listed on the Stock Exchange. Since March 2018, Mr. Zhang has worked as a financial supervisor of Huashi Media and he was appointed as a director of Huashi Media in January 2021.

Mr. Zhang graduated from China University of GeoSciences (中國地質大學) in the PRC in June 2011 with a bachelor's degree in engineering management (工程管理). He also received an associate-to-bachelor's degree in accounting from Wuhan University of Science and Technology (武漢科技大學) in July 2015 and a master's degree (distance learning program) in business administration (工商管理) from the Open University of Hong Kong in November 2015.

Ms. Xue Yuchun (薛玉春女士), aged 34, joined our Group on 1 December 2014 and was appointed as our Director on 18 February 2021 and was re-designated as an executive Director on 9 October 2023. She is also our general manager of the corporate planning department. She is primarily responsible for corporate planning of our Group and formulation of our Group's corporate strategic planning.

Ms. Xue has over 10 years of experience in the branding, advertising and marketing industry. Prior to joining our Group, Ms. Xue worked as a customer service manager of Shanghai Lingsi Yuanjing Marketing Consultancy Co., Ltd. (上海靈思遠景市場營銷顧問有限公司), a company principally engaged in marketing consulting, corporate management consulting and exhibition services from July 2012 to July 2013. Since December 2014, she has worked as a general manager of the corporate planning department of Huashi Media. She has been appointed as a director of Huashi Media since June 2016.

Ms. Xue graduated from University of Shanghai for Science and Technology (上海理工大學) in the PRC in June 2012 with a bachelor's degree in advertising (廣告學).

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Guangdou (李光斗先生), aged 58, was appointed as an independent non-executive Director of our Company on 9 October 2023, and is primarily responsible for supervising and providing independent judgment to the Board. He is a member of our audit committee and nomination committee.

Mr. Li has over 21 years' of experience in the areas of brand image and marketing industry. Since April 2002, he worked as the chief planner at Beijing Huasheng Shidai Advertising Co., Ltd. (北京華盛時代廣告有限公司), a company principally engaged in advertising design, production, agency and release and exhibition services. Since February 2006, he worked as the chief planner at Beijing Huasheng Zhiye Management Consultancy Co., Ltd. (北京華盛智業管理諮詢有限公司), a company principally engaged in business management consulting, economic and trade consulting and technology promotion service.

Mr. Li graduated from Fudan University (復旦大學) with a bachelor's degree in Journalism in July 1988. He is the author of a dozen of books on brand planning and marketing industry, including Insertioning (《插位》), Story Marketing (《故事營銷》), Second Half of Internet (《互聯網下半場》), Business Code in Three Kingdoms (《商解三國》), Sharing Economy (《分享經濟》), Blockchain Wealth Revolution (《區塊鏈財富革命》), Economic Growth Dual Circulation (《雙循環經濟學》).

Disclosure pursuant to Rule 8.10 of the Listing Rules

As at the date of this report, Mr. Li was interested in (i) 25% equity interest in Fujian Nanping Screen Networking Media Co. Ltd. (福建省南平屏聯網傳媒有限公司) ("**Fujian Nanping**"), a company established in the PRC which business scope as stated on its business license includes, among others, the design, production and publication of advertisement; and (ii) 10% equity interest in Beijing Qingchuang Media Co. Ltd (北京青創傳媒有限公司) ("**Beijing Qingchuang**"), a company established in the PRC which business scope as stated on its business license includes, among others, film production, exhibition production, the design, production, agency and publication of advertisements and market research.

Mr. Li was only a passive investor with a non-controlling interest and did not have any active role in the management and business operations of or control over Fujian Nanping and Beijing Qingchuang, and was neither a director, supervisor nor manager of either company at any relevant time. The owners as to the remaining equity interest and the directors, supervisors and managers of Fujian Nanping and Beijing Qingchuang are all Independent Third Parties and not related to Mr. Li. Mr. Li is also bound by confidentiality undertakings included in his appointment letter with the Company to, among others, not divulge confidential information of our Group to any third parties, abide by his fiduciary duties to avoid conflict of interests in discharging his duties as an independent non-executive Director, and comply with applicable provisions in the Articles and the Listing Rules. Having considered (i) the confidentiality undertaking of Mr. Li in his appointment letter; (ii) his fiduciary duty to make full disclosure on matters that conflict or potentially conflict with our interest and abstain from voting at Board meetings on matters where there could be material conflict of interests; (iii) the established internal control mechanism of our Group to identify connected transactions; and (iv) the role of our audit committee in overseeing the effectiveness of the internal control system, and given that Mr. Li only serves as our independent non-executive Director and does not serve any executive role in our Group, and will not be involved in the active management and business operations of our Group, our Directors are of the view that such measures are effective and adequate for managing any potential conflicts of interest with regards to Mr. Li's involvement in Fujian Nanping and Beijing Qingchuang, and Mr. Li does not have any material conflict of interest with our Group.

Mr. Peng Litang (彭禮堂先生), aged 58, was appointed as an independent non-executive Director of our Company on 9 October 2023, and is primarily responsible for supervising and providing independent judgment to the Board. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee.

Mr. Peng has over 22 years experience in education industry. He worked at the law school of Huazhong University of Science and Technology (華中科技大學法學院) from May 2001 to present, initially as an associate professor (副教授) and was subsequently promoted as a professor (教授) in April 2010.

Mr. Peng graduated from Wuhan University (武漢大學) in the PRC with a master's degree in legal studies (法學理論) in June 1996. He also graduated from Huazhong University of Science and Technology (華中科技大學) in the PRC with a doctor's degree in business administration (工商管理) in June 2008. He obtained the PRC lawyer's qualification certificate (中華人民共和國律師資格證書) issued by Ministry of Justice of the PRC in August 1996.

Dr. He Weifeng (何威風博士), aged 45, was appointed as an independent non-executive Director of our Company on 9 October 2023, and is primarily responsible for supervising and providing independent judgment to the Board. He is the chairman of our audit committee and a member of our remuneration committee.

Dr. He has around 15 years' experience in accounting industry and possesses appropriate accounting and financial management expertise pursuant to Rule 3.10(2) of the Listing Rules. He has been working at the School of Accountancy at Zhongnan University of Economics and Law (中南財經政法大學會計學院) since July 2008 and was promoted as a professor (level 3) from January 2020 to present. Dr. He also has been serving on the board of directors of several publicly-held companies, including Hubei Radio & Television Information Network Co., Ltd. (湖北省廣播電視信息網絡股份有限公司) (stock code: 000665.CH) since February 2019 where he has acted as an independent director and the chairman of the audit committee and has been responsible for communicating with certified public accountants on audit plans, risk judgments and key audit issues and reviewing the annual audit reports, Kaidi Ecological And Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司) (stock code: 000939.CH, a company delisted from Shenzhen Stock Exchange on 17 December 2020) since 17 October 2018 where he has acted as an independent director and the chairman of audit committee and a member of nomination and remuneration committee since 2 November 2018, and Masteam Bio-Tech Co., Ltd. (湖北美天生物科技股份有限公司) (NEEQ: 833833) since 26 March 2018 where he has acted as an independent director and has been responsible for providing independent advices to the board of directors.

Dr. He graduated from Jianghan Petroleum Institute (江漢石油學院) in the PRC with a bachelor's degree in accounting in June 2001 and graduated from Wuhan University (武漢大學) in the PRC in June 2005 with a master's degree in accounting. He was also awarded a doctor's degree in business administration (工商管理) of Huazhong University of Science and Technology (華中科技大學) in June 2008. He was subsidized by the "Program for New Century Excellent Talents in University" (教育部新世紀優秀人才支持計劃) of the Ministry of Education of the PRC in 2013 and was appointed as "Wenlan Young Scholar" (文瀾青年學者) of Zhongnan University of Economics and Law (中南財經政法大學) from November 2013 for a terms of three years. Dr. He was awarded of third prize of "Social Science Outstanding Achievement Award of Hubei Province" (湖北省社會科學優秀成果三等獎) in both 2009 and 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. How Sze Ming (侯思明先生), aged 47, was appointed as an independent non-executive Director of our Company on 9 October 2023, and is primarily responsible for supervising and providing independent judgment to the Board.

Mr. How has over 20 years of experience in investment banking and assurance and advisory industries. He started his career as an associate in Assurance and Business Advisory Services Department at PricewaterhouseCoopers from September 1999 to July 2002 with his last position as a senior associate. Mr. How then joined Tai Fook Securities Company Limited (currently known as Haitong International Securities Group Limited) and Tai Fook Capital Limited (currently known as Haitong International Capital Limited) from July 2002 to December 2004 with his last position as an assistant manager. He served as an assistant vice president of CCB International Capital Limited from January 2005 to May 2006, and an assistant vice president in the Investment Banking Division of ICEA Capital Limited from June 2006 to April 2009. From April 2009 to February 2010, Mr. How was an assistant vice president in the Investment Banking Division of ICBC International Holdings Limited. After that, he worked as the managing director of the Investment Banking Department of CMB International Capital Corporation Limited from February 2010 to June 2015, and the managing director of Zhaobangji International Capital Limited (currently known as Yi Shun Da Capital Limited) from July 2015 to January 2016. He then served as the co-head in Investment Banking Department at Southwest Securities (HK) Capital Limited from February 2016 to August 2021 with his last position as the head of corporate finance department. Mr. How is currently the managing director of Patrons Capital Limited since February 2023.

Mr. How was appointed as an independent non-executive director of five listed companies previously, namely QPL International Holdings Limited (stock code: 243) from September 2013 to September 2016, Odella Leather Holdings Limited (currently known as Million Stars Holdings Limited) (stock code: 8093) from January 2015 to March 2017, Forgame Holdings Limited (stock code: 484) from January 2016 to April 2020, Shanghai Zendai Property Limited (stock code: 755) from May 2017 to January 2021 and 1957 & Co. (Hospitality) Limited (stock code: 8495) from November 2017 to August 2022. He has been serving as an independent non-executive director of World-Link Logistics (Asia) Holding Limited (stock code: 6083) since December 2015, an independent non-executive director of Watts International Maritime Company Limited (stock code: 2258) since October 2018 and an independent non-executive director of Ruicheng (China) Media Group Limited (stock code: 1640) since October 2019. He has also been serving as an independent non-executive director of Insight Lifetech Co Ltd (深圳北芯生命科技股份有限公司), a company principally engaged in the research, development and sales of medical devices for the diagnosis and treatment of cardiovascular diseases, since July 2021.

Mr. How graduated from The Chinese University of Hong Kong with a bachelor of business administration degree in professional accountancy in May 1999.

Mr. How became an associate member of Hong Kong Institute of Certified Public Accountants in February 2005 and a fellow member of the Association of Chartered Certified Accountants in May 2008.

SENIOR MANAGEMENT

Ms. Liu Xi (劉西女士), aged 31, joined our Group on 1 March 2018. She is the deputy general manager of corporate planning department of our Group and is primarily responsible for assisting in managing the daily operations, corporate strategic planning and customer planning and creative services of the Group.

Ms. Liu has over 8 years of experience in the advertising and media industry. Prior to joining our Group, from July 2015 to February 2018, she worked as a market operation supervisor of Wuhan Liangdian Shifen Culture Media Co., Ltd. (武漢兩點十分文化傳播有限公司). Since March 2018, she has worked as a deputy general manager of corporate planning department of Huashi Media.

Ms. Liu graduated from Hubei University (湖北大學) with a college degree in news editing and production (新聞採編與製作) in June 2014.

Ms. Fu Xueqin (傅雪琴女士), aged 32, joined our Group on 13 February 2017. She is an administration and human resources supervisor of our Group and is primarily responsible for managing the daily administration and human resources matters.

Ms. Fu has over 11 years of experience in the administration and human resources matters. Prior to joining our Group, from May 2012 to May 2016, she worked as a budget officer of Wuhan Shengyuan Guojian Labor Services Co., Ltd. (武漢盛源國建勞務有限公司). From August 2016 to February 2017, she worked as an administrative assistant of Wuhan Duocai Shenghuo Real Estate Agency Co., Ltd. (武漢多彩生活房產代理有限公司). Since February 2017, she has worked as an administration and human resources supervisor of Huashi Media.

Ms. Fu graduated from Wuhan College of Industrial Technology (武漢工業職業技術學院), which was subsequently merged into Wuhan City Polytechnic (武漢城市職業學院) in the PRC with a college degree in engineering cost (工程造價) in July 2013.

COMPLIANCE OFFICER

Ms. Xue Yuchun is the compliance officer of our Company. For her biographical details, please refer to the section headed "Executive Directors" above.

COMPANY SECRETARY

Ms. Lai Janette Tin Yun (賴天恩女士), is a senior manager of Corporate Services in Vistra Group, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Lai has been appointed as our company secretary with effect from 30 March 2023. Ms. Lai has over 12 years of experience in the corporate secretarial and compliance service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute (formerly "The Hong Kong Institute of Chartered Secretaries") and The Chartered Governance Institute in the United Kingdom since May 2015. Ms. Lai is not an employee of our Company and she provides services to our Company as an external service provider.

DIRECTORS' REPORT

The Board is pleased to present the Directors' Report and the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated as an exempted company in the Cayman Islands on 18 February 2021 with limited liability under the Companies Act of the Cayman Islands. The Company was listed on the main board of the Stock Exchange on 10 November 2023 with the stock code of 1111. Details of the use of net proceeds from the Global Offering are set out in the section headed "Use of the Net Proceeds from the Global Offering" of this Directors' Report.

PRINCIPAL ACTIVITIES

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.

An analysis of the Group's revenue and operation profits by principal activities during FY2023 is set out in the section headed "Management Discussion and Analysis" and note 5 to the consolidated financial statements of this annual report.

BUSINESS REVIEW AND RESULTS

Review on the Group's business, including analysis on the Group's performance using major financial performance indicators, details of significant events which materially impacts the Group during the year and indications of expected future development of the Group's business are set out in the sections headed "Chairman's statement" and "Management Discussion and Analysis" of this annual report.

The Group's results for the Reporting Period is set out on page 112 to the consolidated statement of profit or loss and other comprehensive income of this annual report.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends for FY2023 and no shareholder has given up or agreed to give up any arrangements of dividends.

RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that its success depends on the support of key stakeholders, including employees, customers and suppliers.

EMPLOYEES

As of 31 December 2023, the Group had a total of 198 full-time employees, all of which are stationed in the PRC.

The Group enter into a standard employment contract with each of our full-time employees with terms covering, among other things, position, salaries, employment term, working hours, leave arrangements and other benefits. The remuneration package the Group offered to its employees includes basic salary and discretionary bonuses. In general, the Group determine our employees' salaries based on, amongst others, their qualifications, seniority, working hours, performance, its financial performance and market wages. The Group generally review the performance of its employees, which forms the basis of its decisions with respect to salary adjustments, bonuses and promotions annually. The total staff remuneration expenses (including director's remuneration) for FY2023 was RMB20.7 million (FY2022:RMB14.8 million).

In accordance with relevant national and local social welfare laws and regulations in the PRC, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, unemployment insurance, occupational injury insurance, medical insurance, maternity insurance and housing provident fund. We have complied with the applicable labour laws and regulations in all material respects in respect of statutory welfare or mandatory contributions required of us as an employer in the PRC where we had business operations.

CUSTOMERS

The Group's customers comprise brand owners and advertisers, including private and state-owned enterprises and government authorities; and 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. The Group is dedicated to providing quality services to its customers. Through communications with its customers and enhanced interactions with its customers, we understand customers' needs and thereby provides good development foundation for the Group's entire performance.

SUPPLIERS

The Group's suppliers mainly comprised research institutes; advertising resources providers; and advertising agents. Research institutes are institutions which are engaged to conduct market research on the market and industry in which our customers operate, including the latest development and trends of the industry, the opportunities and challenges facing the industry, the nature of the target customers, customers' consumption behavior and preference, and an analysis on the competitive environment, such as the major competitors and the nature of competition in the market. Advertising resources providers (i.e. the ultimate advertising resources operators) are generally companies possessing advertising resources directly, such as TV station operators and websites, search engines, social media and e-commerce platforms, and outdoor platforms and/or owners. Advertising agents are advertising companies which source advertising resources from the ultimate advertising resources suppliers. The Group maintains stable relationships with suppliers to obtain high quality services and advertisement resources, thereby provides high quality brands, advertisement and marketing services to customers.

MAJOR RISKS AND UNCERTAINTIES

Certain major risks the Group is exposed to include:

1. The Group's operation and financial performance may be adversely affected if the Group is unable to retain current customers, deepen or expand its relationship with customers, or attract new customers to engage the Group to provide brand, advertisement and events execution and production services.

2. The success of our business in providing branding, advertising and marketing services largely depends on the Group' ability to anticipate and respond to consumers' tastes and preferences for marketing methods. If we fail to anticipate and respond to the change of consumers' needs and preferences for marketing, the Group's business, financial position and results of operation may be adversely affected.

3. If there are changes of marketing plan or objectives of customers, and changes in market taste and industry trend, venue cancellation, technical issues an unexpected weather conditions; if the customers terminate our services or delay their payment to us, it could have an adverse effect on our cash flow and results of operations.

4. If the Group is unable to engage research institutes or other research institutes of similar caliber, or if the market research performed by them fails to assist us in identifying the latest market and industry trends and detecting the preferences and potential demands from the target audience of our customers accurately, our reputation, business performance, financial position and profitability may be adversely affected.

5. The Group engages third-party service providers to provide various services. Their failure to provide us with timely and high-quality products or services may materially and adversely affect our business operations.

6. If the Group fails to keep pace with changing technologies and market trends and to introduce successful and well-accepted services for the existing and potential customers, the Group could lose its customers and market share, and its ability to generate revenue could be adversely affected.

7. If the Group fails to maintain its business relationship with the Media Partner or if it loses its market position or popularity among the public, the Group's business, financial condition and results of operations could be materially and adversely affected.

8. The Group has concentrated supplier base and any increases in price of their services or advertising resources could materially and adversely affect the Group's results of operations, financial position and prospects.

9. The Group may face certain risks when collecting trade receivables, if fails to collect, the Group's business, financial position and results of operation may be materially and adversely affected.

10. The Group enjoys certain preferential tax treatments from government. Expiration of, or changes to, these preferential tax treatments could have an adverse effect on the Group's operating results.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2023, (i) the largest customer of the Group accounted for 8.0% of the total revenue (2022:6.6%), and the five largest customers accounted for 27.6% of the total revenue (2022：26.8%)；and (ii) the largest supplier of the Group accounted for 16.5% of the total purchase amount (2022:9.4%), and the five largest suppliers accounted for 66.3% of the total purchase amount (2022:42.1%).

In 2023, none of the directors of the Company, and their close associates nor any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) has any interests in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment during the Reporting Period are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

The Company has a class of shares with a par value of US $0.05 each. Details of movements in the Company's share capital during the Reporting Period are set out in note 27 to the consolidated financial statements.

DEBENTURES

During the Reporting Period, the Company did not issue any debentures.

DONATIONS

During the Reporting Period, no charitable and other donations were made by the Group.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out on page 115 and 157 of changes in equity of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, no reserves of the Company were available for distribution to its Shareholders (31 December 2022:nil).

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or subsisting during FY2023.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follows:

Executive Directors
Mr. Chen Jicheng *(Chairman and Chief Executive Officer)*
Ms. Wang Shujin
Mr. Zhang Bei
Ms. Xue Yuchun

Independent Non-Executive Directors
Mr. Li Guangdou *(Appointed on 9 October 2023)*
Mr. Peng Litang *(Appointed on 9 October 2023)*
Dr. He Weifeng *(Appointed on 9 October 2023)*
Mr. How Sze Ming *(Appointed on 9 October 2023)*

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management "of this annual report.

DIRECTORS' SERVICE CONTRACTS

On 9 October 2023, Mr. Chen Jicheng, Ms. Wang Shujin, Mr. Zhang Bei and Ms. Xue Yuchun (all of them are executive Directors) have entered into service contracts with the Company for an initial fixed term of three years and shall comply with the provisions such as offering themselves for re-election stipulated by the Articles of Association and in the service contracts. On 9 October 2023, the Company has entered into an appointment letter with each of the independent non-executive Directors for an initial fixed term of three years with effect from 9 October 2023.

The above appointments are subject to the provisions of the Articles of Association with regard to retirement by rotation and re-election.

None of the Directors who is nominated for re-election in the forthcoming annual general meeting of the Company has entered into a service contract (which is not determinable by the Group within one year without payment of compensation (other than statutory compensation)) with any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, none of the Directors held interests in any business which competed or was likely to compete with the business of the Group as required to be disclosed pursuant to Rule 8.10 of the Listing Rule for the year ended 31 December 2023.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No material contracts had been entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries (excluding the Company) for FY2023, and there were no material contracts relating to provision of services between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries (excluding the Company) during the Reporting Period.

NON-COMPETITION UNDERTAKING

To protect our Group from any potential competition, our Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company (for itself and as trustee for each of its subsidiaries), pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates (other than our Group):

(i) not, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise)any activity or business which competes or is likely to compete, directly or indirectly, with the business of our Group and any other business from time to time conducted, carried on or contemplated to be carried on by any member of our Group (the "**Restricted Activity**");

(ii) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition; and

(iii) to make an annual declaration on compliance with its undertaking under the Deed of Non-competition in the annual reports of our Company as our independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us that in the event that it/he or its/his close associate(s) (other than any member of our Group)(the "**Offeror**") is given or offered or has identified any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the "**New Opportunities**"), it/he will and will procure its/his close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

(i) each of our Controlling Shareholders is required to, and shall procure its/his close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**") within 10 business days from their receipt or referral of the New Opportunities; and

(ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 30 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above. Upon receipt of the Offer Notice, we will form an independent board committee (the "**Independent Board Committee**") which comprises all our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such project or business opportunities and seek opinions and decisions from our Independent Board Committee in the manner as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of:

(i) the date on which our Controlling Shareholders and their associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the Listing Rules; and

(ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Company has received an annual confirmation from each of the covenantors that they have complied with the Deed of Non-competition during the Reporting Period, for disclosure in this annual report.

The independent non-executive Directors have reviewed the performance of the Deed of Non-competition during the Reporting Period based on the information and confirmation provided or given by the Controlling Shareholders and are satisfied that the covenantors have complied with the Deed of Non-competition.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of any transactions, arrangements or contracts of significance entered into by the subsidiaries of the Company, fellow subsidiaries or its parent company which are related to the Group's business and in which the Directors of the Company or any entity connected with the Directors held material interests, directly or indirectly have subsisted at the end of the year or at any time during the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance or contract of significance for the provision of services was entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the Company's business have been signed or existed during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DEFINED CONTRIBUTION PENSION PLANS

The Group only operates defined contribution pension plans. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

Details of the Group's pension and employee benefit schemes are set out in Note 8 to the consolidated financial statements in this annual report.

REMUNERATION POLICY

The Remuneration Committee has been established with an aim to review the remuneration policies and remuneration structure of the Group for the Directors and senior management based on the Group's operating results, the personal performance of Directors and senior management, and comparable market practices.

Details of the remunerations of the Directors and the five highest paid individuals during the Reporting Period are set out in Note 12 to the consolidated financial statements in this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of its business, the Group does not produce any hazardous substances or pollutants in the course of business operation. During the Reporting Period, the Group did not incur any expenses for any failure of compliance with applicable environmental laws and regulations.

The environmental, social and governance report of the Company in accordance with Appendix C2 to the Listing Rules is set out on pages 73 to 105 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by the Company's subsidiaries in the PRC and shall comply with the laws, regulations of the regulatory authority in the PRC and be under its regulation. During the Reporting Period, so far as to the best knowledge of the Directors, the Group has complied with relevant laws and regulations of PRC in all material aspects.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules are as follows:

(I) INTEREST IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Director/Chief executive	Capacity/Nature of interest	Number of Shares interested	Approximate percentage of the total number of the Company's Shares(1)
Mr. Chen Jicheng	Interest in a controlled corporation	496,334,398(L)(2)	64.40%
Ms. Wang Shujin	Interest in a controlled corporation	42,746,550(L)(3)	5.55%
Ms. Xue Yuchun	Interest in a controlled corporation	6,530,750(L)(4)	0.85%

Notes:

The letter "L" denotes a long position of the person in relevant securities.

(1) The calculation was derived from the total issued shares of 770,650,000 as at 31 December 2023 (without taking into account any shares which may be issued under the Share Option Scheme).

(2) Mr. Chen Jicheng beneficially owns the total issued share capital of JaiYi Culture Media Limited ("**JaiYi Culture**"), while JaiYi Culture holds 64.40% of the issued share capital of the Company directly. Mr. Chen Jicheng is therefore deemed to be interested in the shares held by JaiYi Culture under the SFO.

(3) Ms. Wang Shujin beneficially owns the total issued share capital of Yuanjin Culture Media Company Limited ("**Yuanjin Culture**"), while Yuanjin Culture holds 5.55% of the issued share capital of the Company. Ms. Wang Shujin is therefore deemed to be interested in the shares held by Yuanjin Culture under the SFO.

(4) Ms. Xue Yuchun beneficially owns the total issued share capital of Hubei Jiaying Culture Media Company Limited ("**Hubei Jiaying Culture**"), while Hubei Jiaying Culture holds 0.85% of the issued share capital of the Company directly. Ms. Xue Yuchun is therefore deemed to be interested in the shares held by Hubei Jiaying Culture.

(II) INTEREST IN ASSOCIATED CORPORATIONS OF THE COMPANY

Name of Director/Chief executive	Name of Associated Corporation	Capacity/Nature of interest	Number of Shares interested	Percentage of the issued share capital of that associated corporation held
Mr. Chen Jicheng	JaiYi Culture	Beneficial owner	1(L)	100%

Notes:

The letter "L" denotes a long position of the person in relevant securities.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, to the knowledge of the Directors, the interests or short positions which are required to be kept by the Company recorded in the register pursuant section 336 of the SFO owned by the following persons (other than Directors or chief executive of the Company) or organizations in the shares or underlying shares are as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares interested	Approximate percentage of the total number of the Company's Shares[1]
JaiYi Culture	Beneficial owner	496,334,398(L)[2]	64.40%
Yuanjin Culture	Beneficial owner	42,746,550(L)[3]	5.55%
Nie Xing	Interest in a controlled corporation	38,739,000(L)[4]	5.03%
Youxin Capital Company Limited	Beneficial owner	38,739,000(L)[4]	5.03%

Notes:

The letter "L" denotes a long position of the person in relevant securities.

(1) The calculation was derived from the total issued shares of 770,650,000 as at 31 December 2023 (without taking into account any shares which may be issued under the Share Option Scheme).

(2) As at 31 December 2023, JaiYi Culture held 496,334,398 shares of the Company directly. Jaiyi Culture is wholly owned by Mr. Chen Jicheng. Mr. Chen Jicheng is therefore deemed to be interested in the shares held by Jaiyi Culture under the SFO.

(3) As at 31 December 2023, Yuanjin Culture held 42,746,550 shares of the Company directly. Yuanjin Culture is wholly owned by Ms. Wang Shujin. Ms. Wang Shujin is therefore deemed to be interested in the shares held by Yuanjin Culture under the SFO.

(4) As at 31 December 2023, Youxin Capital Company Limited ("**Youxin Capital**") held 38,739,000 shares of the Company directly. Youxin Capital is wholly owned by Nie Xing. Mr. Nie Xing is therefore deemed to be interested in the shares held by Youxin Capital under the SFO.

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

Except as disclosed in this annual report, the Company or its subsidiaries or consolidated affiliated entities did not enter into any arrangement at any time during the Reporting Period to enable the Directors to acquire benefits by purchasing the shares or debentures of the Company or any other body corporate, and no directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any other body corporate, or had exercised any such right.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

There is no convertible securities, options, warrants or similar rights issued or granted by the Company or any of its subsidiaries as at 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.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of our Shareholders passed on 9 October 2023 (the "**Adoption Date**"). The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentive or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. The terms of the Share Option Scheme are in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations.

The number of options available for grant under the Scheme Limit and the Service Provider Sublimit as at the Listing Date and 31 December 2023 were 77,065,000 and 7,706,500, respectively. No options were granted under the Share Option Scheme from the Listing Date to 31 December 2023.

As at 31 December 2023, the remaining life of the Share Option Scheme was approximately 9.8 years.

1. Purpose and Eligible Participants and Administration

1.1. The purpose of the Share Option Scheme is to enable the Board to grant options ("**Share Options**") to the Eligible Participants as incentives or rewards for their contribution or potential contribution to the growth and development of our Group and to attract and retain personnel to promote the sustainable development of our Group. The basis of eligibility of any of the Eligible Participants to the grant of Share Options shall be determined by the Board from time to time on the basis of the Board's opinion as to his/her contribution or potential contribution to the development and growth of the Group.

For the purpose of the Share Option Scheme, "Eligible Participants" shall include:

(a) Director(s) and employee(s) (whether full time or part time) of the Company or any of its subsidiaries (including persons who are granted Share Options as an inducement to enter into employment contracts with the Company or any of its subsidiaries) ("**Employee Participant(s)**");

(b) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company ("**Related Party Participant(s)**"); and

(c) person(s) (whether a natural person, a corporate entity or otherwise) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including but not limited to person(s) who work for the Company as independent contractors (including advisers, consultants, distributors, contractors, suppliers, agents and service providers of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or those who are required to perform their services with impartiality and objectivity ("**Service Provider(s)**");

1.2. The eligibility of any of the Eligible Participants to an offer for the grant of a Share Option ("**Offer**") shall be determined by the Board from time to time on the basis of the Board's opinion as to the Eligible Participant's contribution to the development and growth of the Group. In assessing whether Share Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Share Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

(a) In assessing the eligibility of Employee Participant(s), the Board will consider all relevant factors as appropriate, including, among others:

(i) his/her skills, knowledge, experience, expertise and other relevant personal qualities;

(ii) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard;

(iii) his/her contribution made or expected to be made to the growth of the Group; and

(iv) his/her educational and professional qualifications, and knowledge in the industry.

(b) In assessing the eligibility of Related Entity Participant(s), the Board will consider all relevant factors as appropriate, including, among others:

(i) the positive impacts brought by, or expected from, the Related Entity Participant on the Group's business development in terms of, amongst other things, an increase in turnover or profits and/or an addition of expertise to the Group;

(ii) the period of engagement or employment of the Related Entity Participant by the Group;

(iii) the number, scale and nature of the projects in which the Related Entity Participant is involved;

(iv) whether the Related Entity Participant has or expected to refer or introduce opportunities to the Group which have or likely to materialize into further business relationships;

(v) whether the Related Entity Participant has or expected to assist the Group in tapping into new markets and/or increased its market share; and

(vi) the materiality and nature of the business relation of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the core business of the Group through a collaborative relationship.

(c) Amongst the Service Providers eligible for the granting of Share Options:

(i) distributors, contractors, suppliers and agents are to directly contribute to the long-term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The work of distributors, contractors, suppliers and agents are closely connected with the Group's principal business, and their performances will contribute to the operating performance and financial results of the Group;

(ii) advisers, consultants and service providers are those who would play significant roles in the Group's business development by contributing their specialized skills and knowledge in the business activities of the Group on a continuing and recurring basis. Such advisers, consultants and service providers would possess industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business, financial or commercial areas of the Group. Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly skilled or executive employees of the Group. In assessing the eligibility of Service Provider(s), the Board will consider all relevant factors as appropriate, including, among others:

(iii) in respect of agents, distributors, contractors and suppliers:

A. the scale of the Service Provider's business dealings with the Group in terms of purchases or sales attributable to him;

B. the ability of the Service Provider to maintain the quality of services;

C. the performance of the Service Provider(s) and track record, including whether the Service Provider has a proven track record of delivering quality services;

D. the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the profits and/or income attributable to the Service Provider's collaboration with the Group;

E. the scale of the Service Provider's collaboration with the Group and the length of business relationships between the Service Provider and the Group; and

F. the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.

(iv) in respect of advisers, consultants and service providers:

A. the expertise, professional qualifications and industry experience of the Service Provider;

B. the performance and track record of the Service Provider, including whether the Service Provider has a proven track record of delivering quality services;

C. the prevailing market fees chargeable by other services providers;

D. the Group's period of engagement of or collaboration with the Service Provider; and

E. the Service Provider's actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit;

1.3. Subject to the rules of the Share Option Scheme, the Board may, at any time on a Business Day during the period commencing from the Adoption Date and expiring at the close of business on the day preceding the tenth anniversary of the Adoption Date, at its absolute discretion and on and subject to such terms, conditions, restrictions or limitations as it may think fit in writing offer to grant Share Options to Eligible Participants to subscribe at the Exercise Price.

1.4. The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties. The Board shall have the right to (a) interpret and construe the provisions of this Share Option Scheme; (b) determine the persons (if any) who shall be offered Share Options under the Share Option Scheme, and the number of Shares and Exercise Price of the Share Option, subject to paragraph 5; (c) subject to paragraphs 9 and 11, make such adjustments to the terms of the Share Options granted under the Share Option Scheme to the relevant Eligible Participant("**Grantee**") who accepted the Offer as the Board deems necessary, and shall notify the relevant Grantee of such adjustment by written notice; and (d) make such other decisions or determinations as it shall deem appropriate in relation to the Offer and/or the administration of the Share Option Scheme provided that the same are not inconsistent with the provisions of the Share Option Scheme and the Listing Rules. Without prejudice to the generality of the foregoing, the Board may delegate the administration of the exercise and delivery of Shares upon the exercise of Share Options to third party professional service providers as it may think fit.

2. Duration

2.1. The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period, no further Share Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Share Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

2.2. A Grantee shall ensure that the acceptance of the Offer, the holding and exercise of the Share Option in accordance with the Share Option Scheme, the allotment and issue of Shares to him/her upon the exercise of the Share Option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he/she is subject. The Directors may, as a condition precedent of making an Offer and allotting Shares upon an exercise of a Share Option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as they may reasonably require for such purpose.

3. Conditions for the Grant of Share Option

3.1. The Share Option Scheme or the grant of any Share Option is conditional on:

(a) the passing by the Shareholders at a general meeting of the Company of an ordinary resolution to approve the adoption of the Share Option Scheme and to authorise the Board to grant Share Options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any Share Option; and

(b) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of any Share Option which may be granted under the Share Option Scheme.

4. Grant of Share Options

4.1. Subject to paragraph 4.2, the Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the Adoption Date to make an Offer to any Eligible Participant to subscribe, and no person other than the Eligible Participant named in such Offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of a Share Option, as determined in accordance with paragraph 5 (the "**Exercise Price**"), as the Directors shall, subject to paragraph 8 and at their discretion, determine.

4.2. Without prejudice to paragraph 8.8 below, the making of an Offer to any Director or chief executive of the Company or substantial shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of a Share Option).

4.3. Any Offer shall be made to an Eligible Participant in writing (and otherwise so made shall be invalid) in such form as the Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares covered by such Share Option, the period during which such Option Period can be exercised("**Option Period**") and any terms and conditions, restrictions and/or limitations applicable to the Share Option, and further requiring the Eligible Participant to undertake to hold the Share Option on the terms on which it is to be granted and the Offer shall include a statement to the effect that any acceptance thereof shall render the Eligible Participant to whom the Offer is made bound by the provisions of the Scheme. The Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 30 days from the date of the Offer ("**Offer Date**").

4.4. An Offer shall state, in addition to the matters specified in paragraph 4.3, the following:

(a) the name, address and occupation of the Eligible Participant;

(b) the number of Shares under the Share Option in respect of which the Offer is made and the Exercise Price for such Shares;

(c) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the Share Option comprised in the Offer;

(d) the last date by which the Offer must be accepted (which must not be later than 30 days from the Offer Date);

(e) a minimum period for which a Share Option must be held before it is vested and exercisable, which shall not be less than 12 months;

(f) the procedure for acceptance;

(g) the performance target(s) (if any) that must be attained by the Eligible Participant before any Share Option can be exercised;

(h) the clawback mechanism for the Company to recover or withhold any Share Option granted to any Eligible Participants (if any) in the event of, for example, serious misconduct, a material misstatement in the Company's financial statements or other special circumstances as identified by the Board;

(i) such other terms and conditions of the Offer as may be imposed by the Directors which in their opinion are fair and reasonable and not inconsistent with the Share Option Scheme; and

(j) a statement requiring the Eligible Participant to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, among other things, paragraphs 4.3 and 6.1.

4.5. An Offer shall be accepted by an Eligible Participant in respect of all Shares under the Share Option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 30 days from the Offer Date). Such remittance shall in no circumstances be refundable.

4.6. Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the Share Option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the Offer duly signed by such Eligible Participant and received by the Company together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the Offer (which shall not be later than 30 days from the Offer Date).Such remittance shall in no circumstances be refundable.

4.7. Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with paragraphs 4.5 or 4.6, a Share Option in respect of the number of Shares of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the Offer Date. To the extent that the Offer is not accepted within the time specified in the Offer in the manner indicated in paragraphs 4.5 or 4.6, it will be deemed to have been irrevocably declined.

4.8. The Option Period of a Share Option must not be more than ten (10) years after the Offer Date.

4.9. Share Options will not be listed or dealt in on the Stock Exchange.

4.10 The vesting period in respect of any Option granted to any Eligible Participant shall not be shorter than 12 months from the date of acceptance of the Offer, provided that where the Eligible Participant is:

(a) An Employee Participant who is a Director or a senior manager specifically identified by the Company, the Remuneration Committee shall, or

(b) An Employee Participant who is not a Director nor a senior manager specifically identified by the Company, the Directors shall have the authority to determine a shorter vesting period, if the Remuneration Committee of the Company or the Directors consider that a shorter vesting period is appropriate to align with the purpose of the Share Option Scheme after having taken into consideration the experience and seniority of the relevant Employee Participant, the number of Shares held by such Employee Participant, his remuneration package, his contributions to the Group and his performance level, any performance based vesting conditions prescribed under the Offer, administrative and compliance arrangements, and such other factors as the Remuneration Committee of the Company (or, as the case may be, the Directors) considers to be relevant or appropriate.

4.11. For so long as the Shares are listed on the Stock Exchange:

(a) an Offer may not be made after a price-sensitive event or inside information has come to the knowledge of the Company until (and including) the trading day after it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half–year under the Listing Rules, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the actual date of publication of the results announcement, and no Option may be granted during any period of delay in publishing a results announcement.

(b) without prejudice to paragraph 4.11(a), an Offer may not be made to an Eligible Participant who is a Director during the periods of time in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, or any corresponding code or securities dealing restrictions adopted by the Company.

5. Exercise Price

The Exercise Price in respect of any Share Option shall, subject to any adjustments made pursuant to paragraph 9, be at the discretion of the Directors, provided that it must be at least the highest of:

(a) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the Offer Date;

(b) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and

(c) the nominal value of the Shares on the Offer Date;

provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent.

6. Exercise of Share Options

6.1. A Share Option must be personal to the Grantee and must not be transferable or assignable, save where applicable under the Listing Rules and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favor of any third party over or in relation to any Share Option or enter into any agreement to do so. Where (i) the Directors give their express consent in writing (which consent may or may not be given by the Directors at their absolute discretion), and (ii) the Stock Exchange gives any express waiver, the Option held by a Grantee may be allowed to be transferred to a vehicle (such as a trust or a private company) for the benefit of the Grantee and any family members of such Grantee (for purposes of estate planning or tax planning or such other reasons as the Directors and the Stock Exchange consider to be justifiable) that would continue to meet the purpose of the Share Option Scheme and comply with the requirements of Chapter 17 of the Listing Rules. In connection with the application for the above consent from the Directors and the above waiver from the Stock Exchange, the Grantee shall (b-1) provide information on the beneficiaries or discretionary objects of the trust or the ultimate beneficial owners of the transferee vehicle, as well as such other information as may be required by the Directors or the Stock Exchange, and (b-2) consent to the disclosure of such information in the announcement, circular and/or report to be published by the Company.

6.2. Subject to, among other things, paragraph 4.3 and the fulfilment of all terms and conditions attached to the Share Options, including the attainment of any performance targets (if any), a Share Option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 6.4 and 6.5 by giving notice in writing to the Company stating that the Share Option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the Share Option remains unexercised is less than one board lot or where the Share Option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for Shares in respect of which the notice is given. Within 30 days (seven days in the case of an exercise pursuant to paragraph 6.4(c)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 9, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of Share Option by a personal representative pursuant to paragraph 6.4(a), to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) the relevant share certificate(s) in respect of the Shares so allotted and issued.

6.3. Unless otherwise determined by the Board and specified in the Offer, there is generally no performance target that needs to be achieved before the exercise of a Share Option granted to a Grantee nor there is any clawback mechanism for the Company to recover or withhold the Share Options granted to any Eligible Participant.

6.4. Subject as hereinafter provided in the Share Option Scheme, a Share Option may only be exercised by the Grantee at any time during the Option Period provided that:

(a) if the Grantee is an Employee Participant and in the event of his/her ceasing to be a Grantee by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the Share Option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the Share Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 6.2 within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with the Company or the relevant subsidiary of the Company whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraph 6.4(c) or 6.4(d) occur during such period, exercise the Share Option pursuant to paragraph 6.4(c) or 6.4(d) respectively;

(b) if the Grantee is an Employee Participant and in the event of his/her ceasing to be a Grantee for any reason other than (1) his/her death, ill-health or retirement in accordance with his/her contract of employment or (2) the termination of his/her employment on one or more of the grounds specified in paragraph 7.1(d) before exercising the Share Option in full, the Share Option(to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the Grantee may exercise the Share Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 6.4 within such period as the Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 6.4(c) or 6.4(d) occur during such period, exercise the Share Option pursuant to paragraph 6.4(c) or 6.4(d) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee actually worked for the Company or the relevant subsidiary of the Company whether salary is paid in lieu of notice or not;

(c) if a general or partial offer, whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Share Options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his/her Share Options were granted, be entitled to exercise the Share Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of paragraph 6.5 at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

(d) in the event of a resolution being proposed for the voluntary winding-up of the Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two (2) Business Days before the date on which such resolution is to be considered and/or passed, exercise his/her Share Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 6.5 and the Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his/her Share Option not less than one (1) day before the date on which such resolution is to be considered and/or passed whereupon he/she shall accordingly be entitled, in respect of the Shares allotted and issued to him/her in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all Share Options then outstanding shall lapse and determine on the commencement of the winding-up; and

(e) if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the Share Options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any Grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given(such notice to be received by the Company no later than two (2) Business Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Share Option credited as fully paid and register the Grantee as holder thereof. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Share Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Share Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

6.5. Shares to be allotted and issued upon the exercise of a Share Option will be subject to the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holders thereof to participate in all dividends or distributions paid or made on or after the name of the Grantee is registered on the register of members of the Company, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when the name of the Grantee is registered on the register of members of the Company. A Share allotted and issued upon the exercise of a Share Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

7. Early Termination of Option Period

7.1. The Option Period in respect of any Share Option shall automatically terminate and that Share Option (to the extent not already exercised) shall lapse at the earliest of:

(a) the expiry of the Option Period as may be determined by the Directors;

(b) the expiry of any of the periods referred to in paragraph 6.4;

(c) the date of commencement of the winding-up of the Company;

(d) in respect of a Grantee who is an Employee Participant when an Offer is made to him/her, the date on which the Grantee ceases to be an Employee Participant by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of persistent or serious misconduct, or has been liable for a material misstatement in the Company's financial statements, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute and does not involve his integrity or honesty) or (if so determined by the Board) on any other grounds on which an employer would be entitled to terminate his employment summarily;

(e) in respect of a Grantee other than an Employee Participant, the date on which the Board shall at their absolute discretion determine that: (i) the Grantee or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and any member of the Group on the other part; or (ii) the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (iii) the Grantee could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and

(f) the date on which the Directors shall exercise the Company's right to cancel the Share Option by reason of a breach of paragraph 6.1 by the Grantee in respect of that or any other Share Option.

7.2. A resolution of the Directors or written communication on behalf of the Board to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraphs 7.1(d) and (e) has occurred shall be conclusive and binding on all persons who may be affected thereby.

7.3. Transfer of employment of a Grantee who is an Employee Participant from one member of the Group to another member of the Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an employee of the Group is placed on such leave of absence which is considered by the directors of the relevant member of the Group not to be a cessation of employment of the Grantee.

8. Maximum Number of Shares Available for Subscription

8.1. The maximum number of Shares which may be allotted and issued upon exercise of all Share Options, share options or share awards to be granted under the Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (being 77,065,000, representing 10% of the shares in issue of the Company as at the date of this report) (the "**Scheme Limit**").

8.2. Subject to paragraph 8.1, the total number of Shares which may be allotted and issued in respect of all Share Options or share options or share awards to be granted to Service Providers under the Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the Listing Date ("**Service Provider Sublimit**").

8.3. For the avoidance of doubt, the Shares underlying any Share Options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled will be counted for the purpose of calculating the Scheme Limit and Service Provider Sublimit. Where the Company has reissued such cancelled Share Options, the Shares underlying both the cancelled Share Options and the re-issued Share Options will be counted as part of the total number of Shares subject to paragraphs 8.1 and 8.2. The Share Options, share options or share awards lapsed in accordance with the terms of the Share Option Scheme or (as the case may be) any other share option scheme(s) or share award scheme(s) of the Company will, however, not be regarded as utilized for the purpose of calculating the Scheme Limit and Service Provider Sublimit.

8.4. If the Company conducts a share consolidation or subdivision after the Scheme Limit or the Service Provider Sublimit has been approved in general meeting, the maximum number of Shares that may be issued in respect of all Share Options or share awards to be granted under all of the share option scheme(s) or share award scheme(s) of the Company under the Scheme Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

8.5. The Scheme Limit (and the Service Provider Sublimit) may be refreshed at any time by obtaining approval of the Shareholders in general meeting after three years from Adoption Date or the date of Shareholders' approval for the last refreshment, provided that:

(a) the total number of Shares which may be issued in respect of all share options and shares awards to be granted under all of the share option scheme(s) or share award scheme(s) of the Company under the Scheme Limit as refreshed (the "**New Scheme Limit**") must not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") must not exceed 1%) of the Shares in issue at the date of the Shareholders' approval of such New Scheme Limit (and New Service Provider Sublimit). Share Options, share options or share awards previously granted under the Scheme or any other share option scheme(s) or share award scheme(s) of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of this Scheme or any other share option scheme(s) or share award scheme(s) of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the New Scheme Limit (and New Service Provider Sublimit). The Company must send a circular to its Shareholders containing the number of Share Options, share options and share awards that were already granted under the existing Scheme Limit and the existing Service Provider Sublimit, and the reason for the refreshment;

(b) any refreshment to the Scheme Limit (and the Service Provider Sublimit) within any three-year period must be approved by the Shareholders, where any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting and in accordance with the requirements under the Listing Rules; and

(c) the requirements under paragraph 8.5(b) do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2) of the Listing Rules such that the unused part of the Scheme Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Limit immediately before the issue of securities, rounded to the nearest whole Share.

8.6. Without prejudice to paragraph 8.5, the Company may seek separate Shareholders' approval in general meeting to grant Share Options beyond the Scheme Limit (or the Service Provider Sublimit) or, if applicable, the extended limits referred to in paragraph 8.5, provided the share options or share awards in excess of the Scheme Limit (or the Service Provider Sublimit) are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing the name of each specified Eligible Participant who may be granted such share options or share awards, the number and terms of the share options or share awards to be granted to each Eligible Participant, and the purpose of granting options or awards to the specified Eligible Participants with an explanation as to how the terms of the share options or share awards serve such purpose. The number and terms of share options or share awards to be granted to such Eligible Participant must be fixed before Shareholders' approval.

8.7. Subject to paragraph 8.8, where any grant of Share Option to a Grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all Share Options or share awards granted and proposed to be granted to such person (excluding any Share Options or share awards lapsed in accordance with the terms of the Share Option Scheme or other share option scheme(s) or share award scheme(s) of the Company) under this Share Option Scheme and any other share option scheme(s) or share award scheme(s) of the Company in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates if the Grantee is a connected person of the Company)abstaining from voting. The number and terms of Shares Options or share awards to be granted to such participant must be fixed before Shareholders' approval.

8.8. Without prejudice to paragraphs 4.2 and 4.3, each grant of Share Options to a Director, chief executive of the Company or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Share Options).

8.9. Where any grant of Share Options to an independent non-executive Director or a substantial shareholder of the Company (or any of their respective associates) would result in the Shares issued and to be issued in respect of all Share Options, share options or share awards granted (excluding any Share Options, share options or share awards lapsed in accordance with the Share Option Scheme or other share option scheme(s) or share award scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Share Options shall be subject to the approval by the Shareholders in general meeting at which the Grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favor at such general meeting, and in accordance with the Listing Rules.

8.10. For the purpose of seeking the approval of the Shareholders under paragraphs 8.7 and 8.9, the Company must send a circular to its Shareholders containing the information required under the Listing Rules, within such time as may be specified in the Listing Rules.

8.11. Any change in the terms of Share Options granted to an Eligible Participant who is a Director, chief executive or substantial shareholder of the Company or an independent non-executive Director of the Company, or any of their respective associates, must be approved by the Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules if the initial grant of the Share Options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme).

9. Adjustments to the Exercise Price

9.1. In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, reduction of the share capital of the Company, then, in any such case the Company shall request the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(a) the number or nominal amount of Shares to which the Share Option Scheme or any Share Option(s) relates (insofar as it is/they are unexercised); and/or

(b) the Exercise Price of any Share Option; and/or

(c) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in a Share Option or which remain comprised in a Share Option, and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the Grantee the same proportion of the issued share capital of the Company, rounded to the nearest whole Share, for which such Grantee would have been entitled to subscribe had he/she exercised all the Share Options held by him/her immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iii) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

Subject to compliance with the requirements as provided in this paragraph 9, if there is any capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company prior to the exercise of the Share Options, an adjustment to the number of Share Options shall be made in accordance with the Stock Exchange's FAQ number 072–2020 in relation to Chapter 17 of the Listing Rules (the "**FAQ**"). The method of adjustment is set out as below:

(a) Conversion of capital reserve into new Shares, issue of bonus Shares or share subdivision

$$Q = Q0 \times (1 + n)$$

Where: "Q0" represents the number of Share Options before the adjustment; "n" represents the ratio per Share of the conversion of capital reserves into new Shares, issue of bonus Shares or share subdivision; "Q" represents the number of Share Options after the adjustment.

(b) Consolidation of Shares or share subdivision or reduction of the share capital

$$Q = Q0 \times n$$

Where: "Q0" represents the number of Share Options before the adjustment; "n" represents the ratio of consolidation or share subdivision or reduction of share capital; "Q" represents the number of Share Options after the adjustment.

(c) Rights issue

$$Q = Q0 \times P1 \times (1 + n) \div (P1 + P2 \times n)$$

Where: "Q0" represents the number of Share Options before the adjustment; "P1" represents the closing price as at the record date; "P2" represents the subscription price of the rights issue; "n" represents the ratio of allotment; "Q" represents the number of Share Options after the adjustment.

Subject to compliance with the requirements as provided in this paragraph 9, capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company prior to the exercise of the Share Options, an adjustment to the Exercise Price shall be made in accordance with the FAQ. The method of adjustment is set out below:

(a) Conversion of capital reserve into new Shares, issue of bonus Shares or share subdivision

$P = P0 \div (1 + n)$

Where: "P0" represents the Exercise Price before the adjustment; "n" represents the ratio per Share of the conversion of capital reserves into new Shares, issue of bonus Shares or share subdivision; "P" represents the Exercise Price after the adjustment.

(b) Consolidation of Shares or share subdivision or reduction of the share capital

$P = P0 \div n$

Where: "P0" represents the Exercise Price before the adjustment; "n" represents the ratio of consolidation or share subdivision or reduction of share capital; "P" represents the Exercise Price after the adjustment.

(c) Rights issue

$P = P0 \times (P1 + P2 \times n) \div (P1 \times (1 + n))$

Where: "P0" represents Exercise Price before the adjustment; "P1" represents the closing price as at the record date; "P2" represents the Exercise Price of the rights issue; "n" represents the ratio of allotment; "P" represents the Exercise Price after the adjustment. In respect of any adjustment referred to in this paragraph 9.1, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

9.2. If there has been any alteration in the capital structure of the Company as referred to in paragraph 9.1, the Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 6.2, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 9.1.

9.3. In giving any certificate under this paragraph 9, the auditors or the independent financial adviser appointed under paragraph 9.1 shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby. The costs of the auditors or the independent financial adviser to the Company shall be borne by the Company.

10. Cancellation of Share Options Granted

10.1. Subject to paragraph 6.1 and Chapter 17 of the Listing Rules, any Share Option granted but not exercised may not be cancelled except with the prior written consent of the relevant Grantee and the approval of the Directors.

10.2. Where the Company cancels any unvested Share Option granted to a Grantee or any vested (but not exercised) Share Option and issues new Share Option(s) to the same Grantee, the issue of such new Share Option(s) may only be made with available Scheme Limit, Service Provider Sublimit or the limits approved by the Shareholders pursuant to paragraph 8.5.

10.3. The Share Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Limit (and the Service Provider Sublimit).

11. Alteration of the Share Option Scheme

11.1. Subject to paragraphs 11.2 to 11.4, the Share Option Scheme may be altered in any respect by a resolution of the Directors except that:

(a) any alteration to the provisions of the Share Option Scheme which are of a material nature; and

(b) any alteration to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of Grantees;

must be approved by a resolution of the Shareholders in general meeting.

11.2. Any change to the terms of Share Options granted to an Eligible Participant must be approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be)if the initial grant of the Share Options was approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be) in accordance with the terms of the Share Option Scheme and Chapter 17 of the Listing Rules, unless the alterations take effect automatically under the existing terms of the Share Option Scheme.

11.3. Any change to the authority of the Directors or the administrators of the Share Option Scheme to alter the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

11.4. The amended terms of the Share Option Scheme and/or any Share Options pursuant to this paragraph 11 must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

11.5. Where the terms of the Share Option Scheme are amended, the Company shall, immediately upon such changes taking effect, provide to all Eligible Participants all details relating to changes in the terms of this Share Option Scheme during the life of this Share Option Scheme.

12. Termination of the Share Option Scheme

The Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered, but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Share Options (to the extent not already exercised) granted or any Share Options exercised but reaming outstanding prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme, and Share Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme. Details of the Share Options granted, including Share Options exercised or outstanding, under the Share Option Scheme must be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established or refreshment of scheme mandate limit under any existing scheme after such termination.

PRESENT STATUS OF THE SHARE OPTION SCHEME

Since the effective date of the Share Option Scheme and up to the date of this report, the Company has not granted or agreed to grant any options under the Share Option Scheme.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 125,000,000 shares by Global Offering at the consideration of HK$1.04 per share, and was listed on the main board of the Stock Exchange on 10 November 2023. The net proceeds from the Global Offering received by the Company (after deducting underwriting fees and commissions and other expenses payable of the Company related to the Global Offering) was approximately HK$72.14 million, which will be utilized in the manner described in the section headed "Future Plans and Use of Proceeds" to the Prospectus.

IMPLEMENTATION PLAN

The following table sets forth the usage of the proceeds from listing by the Company as at 31 December 2023:

Business strategies	Aggregate amount (HK$'million)	%	Breakdown (HK$'million)	Utilized amount as of 31 December 2023 (HK$'million)	Amount not utilized as of 31 December 2023 (HK$'million)	Expected time to utilize the remaining net proceeds
Strengthen data analytical capabilities and further enhance our branding services	22.06	30.6				
(i) Establish our branding data platform and R&D database			14.5	7.25	7.25	During the year ended 31 December 2024
(ii) Acquire more comprehensive market and industry data			7	2.81	4.19	During the year ended 31 December 2024
(iii) Recruitment of additional staff for our R&D department			0.56	0.05	0.51	During the year ended 31 December 2024

Business strategies	Aggregate amount (HK$'million)	%	Breakdown (HK$'million)	Utilized amount as of 31 December 2023 (HK$'million)	Amount not utilized as of 31 December 2023 (HK$'million)	Expected time to utilize the remaining net proceeds
Expand our online media advertising services	14.91	20.7				
(i) Enhance our online media advertising platform						
Engagement of IT service provider to enhance our online media advertising platform			2.33	1.17	1.16	During the year ended 31 December 2024
Procurement of software			0.93	0.47	0.46	During the year ended 31 December 2024
Procurement of hardware			1.4	0.7	0.7	During the year ended 31 December 2024
(ii) Develop in-house content production capabilities						
Setting up of video studio premises			4.33	1.73	2.6	During the year ended 31 December 2024
Purchase of equipment and software			5.92	2.37	3.55	During the year ended 31 December 2024
Expand the geographical reach of our services	19.23	26.6				
(i) Setting up of new office in Beijing						
Rental cost			2.77	–	2.77	During the year ended 31 December 2024
Decoration cost			1.15	–	1.15	During the year ended 31 December 2024
Staff cost			4.57	–	4.57	During the year ended 31 December 2024
Office facilities cost			0.54	–	0.54	During the year ended 31 December 2024
Other administrative expenses			0.6	–	0.6	During the year ended 31 December 2024

Business strategies	Aggregate amount (HK$'million)	%	Breakdown (HK$'million)	Utilized amount as of 31 December 2023 (HK$'million)	Amount not utilized as of 31 December 2023 (HK$'million)	Expected time to utilize the remaining net proceeds
(ii) Setting up of new office in Shanghai						
Rental cost			2.5	–	2.5	During the year ended 31 December 2024
Decoration cost			1.15	–	1.15	During the year ended 31 December 2024
Staff cost			4.81	–	4.81	During the year ended 31 December 2024
Office facilities cost			0.54	–	0.54	During the year ended 31 December 2024
Other administrative expenses			0.6	–	0.6	During the year ended 31 December 2024
Improve our brand recognition and increase our marketing efforts	9.7	13.4				
Organise and host marketing events and activities			9.7	0.75	8.95	During the year ended 31 December 2024
Working capital	6.24	8.7	6.24	–	6.24	During the year ended 31 December 2024

As of 31 December 2023, the Group has utilized the net proceeds from the Global Offering of HK$17.3 million.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the Prospectus and in the section headed "Use of the Net Proceeds from the Global Offering "in this annual report, the Group did not have any future plans for material investment and capital assets during the Reporting Period.

LEGAL PROCEEDING AND COMPLIANCE

During the Reporting Period, the Group was not involved in any material legal proceedings.

ANNUAL GENERAL MEETING

The Annual General Meeting ("**AGM**") will be held at Conference Room 1, 1st Floor, Block 2 Office Building, Phase II Shuisheng Keji Yuan, 1 Chagang Xincun Dongyuan, Wuchang District, Wuhan City, Hubei Province, the PRC at 10:00 a.m. on Thursday, 27 June, 2024. The notice convening the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youmeimu.com) and will be despatched (if requested) to shareholders in due course in accordance with the requirements of the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to attend and vote at the AGM, 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 AGM, 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).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

CONNECTED TRANSACTIONS

There was no other related party transaction or continuing related party transaction set out in Note 28 to the consolidated financial statements in this annual report which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules.

DIRECTORS' INDEMNITY

Pursuant to the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in the execution of his/her duties in his/her office.

MINIMUM PUBLIC FLOAT

Based on the information available to the Company and to the best knowledge of the Directors, since the Listing Date and up to the date of this annual report, at least 25% of the total number of issued shares of the Company have been held by the public as required under the Listing Rules.

AUDITORS

The Group's consolidated financial statements for FY2023 have been audited by BDO Limited.

BDO Limited will retire and being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution to re-appoint BDO Limited as the auditor of the Company will be proposed at the AGM.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance practices. Information about the corporate governance practices adopted by the Company is set out in the corporate governance report on page 55 to 72 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant matters subsequent to the Reporting Period and up to the date of this annual report.

On behalf of the Board
Huashi Group Holdings Limited
Chen Jicheng
Chairman and Chief Executive Officer

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for FY2023.

CORPORATE GOVERNANCE PRACTICES

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. 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.

CORPORATE GOVERNANCE REPORT

(A) BOARD OF DIRECTORS

Board Responsibilities

The Board is the chief decision maker of the Company and is responsible for leading and controlling the Company and supervising and approving major decisions regarding the financial performance, strategic development objectives and business of the Company. The Board grants to management the authority and responsibility for the day-to-day operation and management of the Company as directed by the Board. The Board has established three committees, namely, the audit committee ("**Audit Committee**"), the remuneration committee ("**Remuneration Committee**") and the nomination committee ("**Nomination Committee**") (collectively, the "**Board Committees**") of the Board, and has delegated a number of responsibilities to the Board Committees. All Board Committees perform different responsibilities according to their respective terms of reference.

All Directors shall at all times ensure that they perform their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and the Shareholders.

Under the leadership and supervision of the chief executive officer, the senior management of the Group is responsible for the management of the daily operations of the Company and the operation of various functions. The Board gives clear instructions to the senior management by deliberating on matters such as the Company's annual focus. Matters for which the Board has delegated authority to the management to decide include the implementation of strategies and directions determined by the Board, the operation of the Group's business and compliance with applicable laws.

The Board also reserves for its decision on all major matters of the Group, including the approval and monitoring of all corporate governance and policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is also authorized the power of corporate governance and is responsible for performing the functions pursuant to the Code Provision A.2.1 of the CG Code. The Board has reviewed and discussed the Group's corporate governance policies and is satisfied with the effectiveness of the corporate governance policies.

Board Composition

Our Board comprises eight Directors, including four executive Directors and four independent non-executive Directors. During the Reporting Period and up to the date of this annual report, the Board comprises the following Directors:

Executive Directors
Mr. Chen Jicheng *(Chairman and Chief Executive Officer)*
Ms. Wang Shujin
Mr. Zhang Bei
Ms. Xue Yuchun

Independent Non-executive Directors
Dr. He Weifeng *(Appointed on 9 October 2023)*
Mr. Peng Litang *(Appointed on 9 October 2023)*
Mr. Li Guangdou *(Appointed on 9 October 2023)*
Mr. How Sze Ming *(Appointed on 9 October 2023)*

There is no material financial, business, family or other relationship between any members of the Board. The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this annual report. All the Directors, including the independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Each of the executive Directors and the independent non-executive Directors has entered into a three-year service contract or a letter of appointment with the Company. According to the Articles of Association, each Director is subject to retirement by rotation and re-election.

Dr. He Weifeng, Mr. Peng Litang, Mr. Li Guangdou and Mr. How Sze Ming confirmed that they (i) obtained the legal opinion referred to in Rule 3.09D of the Listing Rules in November 2023, and (ii) understood their responsibilities as directors of listed issuers under the Listing Rules.

During the year ended 31 December 2023, Mr. Chen Jicheng, the Chairman, and the independent non-executive Directors held a meeting without other Directors to discuss the Company's strategy and future development direction. At the same time, Mr. Chen Jicheng encouraged the Directors to actively express their suggestions on the operation and development of the Company and matters of concern to the Company, to ensure that appropriate steps are taken to communicate effectively with the Shareholders, and to ensure that the Shareholders' feedbacks can be communicated to the entire Board.

Compliance with the Model Code for Securities Transactions by Directors

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.

Independent Non-executive Directors

The Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules in relation to the appointment of independent non-executive Directors representing at least one-third of the number of members of the Board, and one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

The Company has received annual confirmations from each of the independent non-executive Directors in respect of his/her independence under Rule 3.13 of the Listing Rules. The Board has assessed their independence in accordance with the Listing Rules and confirmed that all independent non-executive Directors are deemed independent.

Mechanism in respect of Independent Views and Opinions available to the Board

The Company ensures that the Board has a strong independent element, and ensures that there is a good mechanism to assist the Board to obtain independent views and opinions, so that the Board can effectively make independent judgments and enhance the accountability and transparency of the Board, so as to better protect the interests of the Shareholders. Specific mechanisms include: independent non-executive directors are required to confirm their independence to the Company in writing in accordance with the procedures and requirements for nominating directors of the Company upon appointment, and the Listing Rules and the regulatory requirements of the independence, qualifications, number and diversity of directors. The Nomination Committee assesses the independence of all independent non-executive Directors on an annual basis and confirms that each independent non-executive Director still meets the independence standards set out in the Listing Rules and that each member of the Nomination Committee avoids assessing his or her own independence. The Company encourages the Directors to have independent access to and consult with the senior management of the Company. The directors of the Company shall be entitled to seek independent professional views in the performance of their duties at the expense of the Company, if necessary.

Each of the independent non-executive Directors shall notify the Company of any change in his personal information which may affect his independence as soon as possible. The Board has reviewed and considered that the mechanism was effective in ensuring that independent views and opinions were provided to the Board for FY2023.

Induction Training and Continuous Professional Development

Each of our Directors will be provided with the necessary induction training and information to ensure that he/she has a full understanding of the operations and business of our Company and his/her responsibilities under the relevant regulations, by-laws, rules and laws. The Company will continue to arrange lectures regularly to provide the Directors with the latest developments and changes in the Listing Rules and other relevant laws and regulations from time to time. The Directors are also provided with regular updates on the performance, status and prospects of the Company to enable the Board as a whole and the Directors to perform their duties.

During the Reporting Period, the Company provided training materials on the Listing Rules and other applicable regulatory requirements to the Directors and the management of the Company.

Name of Director	Read materials or attend briefings and/or lectures and/or meetings related to regulatory and governance updates
Executive Directors	
Mr. Chen Jicheng	✔
Ms. Wang Shujin	✔
Mr. Zhang Bei	✔
Ms. Xue Yuchun	✔
Independent non-executive Directors	
Dr. He Weifeng	✔
Mr. Peng Litang	✔
Mr. Li Guangdou	✔
Mr. How Sze Ming	✔

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. Code Provision C.5.1 of the CG Code stipulated that at least four regular meetings of the Board are held annually and at approximately quarterly intervals, and that a majority of the Directors are required to actively participate in the meeting (whether in person or by electronic means).

The Company has adopted the practice of holding regular Board meetings. Notice of not less than 14 days is given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda. For other committee meetings, three days' prior notice before meeting is given. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Directors can separately get access to the senior management and the company secretary at all times and may seek independent professional advice at the Company's expense.

The minutes of Board meetings and committee meetings are fully recorded and include matters considered and decisions reached by the Board and committees, including any questions raised by the Directors. Draft minutes of each Board meeting and committee meeting will be sent to the Directors within a reasonable time after the date of the meeting to give them the opportunity to request amendments.

When a director has significant interests in the resolution, the director shall abstain, and shall not exercise voting rights on the resolution, nor shall he exercise voting rights on behalf of other Directors. Such director is excluded from the calculation of the quorum of directors present at the relevant meeting. The procedures of the meeting of the Board and their scope of work comply with C.5 of the CG Code.

For the year ended 31 December 2023, the Board held two meetings of the Board. The chairman of the Board held one meeting with the independent non-executive Directors from the Listing Date to 31 December 2023, at which no executive Directors were present.

	Attendance/Number of Meetings			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Directors				
Executive Directors	2/2	–	–	–
Mr. Chen Jicheng	2/2	–	–	–
Ms. Wang Shujin	2/2	–	–	–
Mr. Zhang Bei	2/2	–	–	–
Ms. Xue Yuchun	2/2	–	–	–
	2/2	–	–	–
Non-executive Directors	2/2	–	–	–
Dr. He Weifeng	2/2	–	–	–
Mr. Peng Litang	2/2	–	–	–
Mr. Li Guangdou	2/2	–	–	–
Mr. How Sze Ming	2/2	–	–	–

Since the Listing Date and up to 31 December 2023, as the shares of the Company were listed on the Stock Exchange on 10 November 2023, no meetings of the Board Committee and the general meetings have been held during the Reporting Period. Nevertheless, the members of the Board committees regularly communicates with each other and will continue to hold regular meetings thereafter to keep up-to-date on the affairs of the Company.

Appointment, Re-election and Removal of Directors

The procedures for appointment, re-election and removal of directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, studying and formulating procedures for the nomination and appointment of directors, supervising the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

Each of the executive Directors and independent non-executive Directors has entered into a service contract or a letter of appointment with the Company for an initial fixed term of three years with effect from 9 October 2023. Such term is subject to his/her re-election by the Company at an annual general meeting ("**AGM**") upon retirement. The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office or any Director appointed by the Board as an addition to the existing Board shall hold office only until the first AGM of the Company and shall then be eligible for re-election at the meeting. In accordance with the Articles of Association, at every AGM of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and being eligible offer themselves for re-election.

Pursuant to Articles 108 and 112, Mr. Chen Jicheng, Ms. Wang Shujin, Mr. Zhang Bei, Ms. Xue Yuchun, Dr. He Weifeng, Mr. Peng Litang, Mr. Li Guangdou and Mr. How Sze Ming will retire as directors at the AGM. All of the above Directors, being eligible, will offer themselves for re-election at the AGM.

Board Committees

The Company has established an audit committee, a remuneration committee and a nomination committee. Each committee has specific written terms of reference that clearly state its authority and responsibilities. The chairman of these committees will report his findings and recommendations to the Board after the meeting. The corporate governance function is performed by the Board.

1. Audit Committee

The Board has established the Audit Committee pursuant to 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.

The primary duties of the Audit Committee include, but are not limited to: (i) reviewing and monitoring the relationship of the external auditors and the Group, particularly the independence, objectivity and effectiveness of the external auditors; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial statements of the Company including the completeness of the annual and interim reports as well as ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors. The written terms of reference of the committee are in line with the provisions of the CG Code.

2. Remuneration Committee

The Board has established the Remuneration Committee in compliance with Rule 3.25 and Rule 3.26 of the Listing Rules and Code Provision E.1.1 to E.1.5 of the CG Code and has adopted written terms of reference. From the Listing Date and up to the end of the Reporting Period, the Remuneration Committee comprises one executive Director (i.e. Ms. Wang Shujin) and two independent non-executive Directors (i.e. Mr. Peng Litang and Dr. He Weifeng). The Remuneration Committee is currently chaired by Mr. Peng Litang.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; (iii) determining the terms of the remuneration package of our Directors and senior management with reference to their time commitment and responsibilities, and employment condition in the Group, and comparable companies; and (iv) reviewing and/or approving the matters on the share scheme under Chapter 17 of the Listing Rules. The written terms of reference of the committee are in line with the provisions of the CG Code.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company, respectively.

Details of the remuneration of each Director are set out in the section headed "Report of the Board of Directors – Directors and the Five Highest Paid Individuals " and in Notes 12 to the consolidated financial statements in this annual report. During the year, there was no agreement under which a director waived or agreed to waive any compensation.

Directors' Remuneration Policy

High-quality and loyal staff are valuable assets to the success of the Group. To ensure the ability to attract and retain talents, the Group's directors' remuneration policy is based on the principle of providing fair and market competitive remuneration packages to support the performance culture and achieve strategic business objectives. Accordingly, the Group's remuneration policy for Directors is designed to provide directors with competitive but not excessive remuneration packages.

Directors' remuneration consists of fixed salaries or service fees and variable components such as bonuses, which are based on a number of factors such as prevailing market conditions, the performance of the Group and the qualifications, skills, experience, educational background and performance of the Directors and are based on companies of comparable business or size.

Our Directors' remuneration is reviewed annually and subject to shareholders' approval.

3. Nomination Committee

The Board has established the Nomination Committee in compliance with the requirements of Code Provision B.3 of the CG Code and adopted the written terms of reference. From the Listing Date up and to the end of the Reporting Period, the Nomination Committee comprises one executive Director (i.e. Mr. Chen Jicheng) and two independent non-executive Directors (i.e. Mr. Li Guangdou and Mr. Peng Litang). The Nominating Committee is currently chaired by Mr. Chen Jicheng.

The Nomination Committee is primarily responsible for recommending to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required as well as assessing the independence of each independent non-executive Director. Its written terms of reference cover recommendations to the Board on the appointment, succession or removal of Directors, evaluation of Board composition and the management of Board succession. The written terms of reference of the committee are in line with the provisions of the CG Code.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company, respectively.

Director Nomination Policy

As set out in the nomination policy adopted by the Board pursuant to the CG Code, in assessing the suitability of a proposed candidate, the following factors would be considered by the Nomination Committee:

- Reputation for integrity
- Accomplishment and experience
- Compliance with legal and regulatory requirements
- Commitment in respect of available time and relevant concerns
- Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. As set out in the nomination policy, the nomination procedure is as follows:

  (1) The secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

  (2) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(3) Pursuant to the Articles of Association of the Company, a member (duly qualified to attend and vote at the meeting) who wish to recommend a candidate for election to the office of director at any general meeting must submit a signed written notice, for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company, provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

(4) A candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

(5) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognises the principle that the Board should strike a balance between appropriate skills, experience and diverse perspectives in relation to the business of the Company.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, geographic location, professional qualifications, skills, knowledge, years of service, regulatory requirements and the legal interests of the Shareholders of the Company.

All appointments to the Board are made based on the competence of the candidates, to the extent of the skills, knowledge and experience required by the Board as a whole and taking into account the diverse perspectives of the Board as described above. The Board will annually review the Board Diversity Policy to ensure its continued effectiveness.

To implement the Board Diversity Policy, the Board has established measurable goals that at least one Board member should be a female and will review the goals from time to time to ensure their appropriateness and determine progress towards achieving the goals.

As of the date of this annual report, two Board members are female. The Nomination Committee and the Board consider that the current composition of the Board has achieved the above objectives.

Gender Diversity

The Company attaches importance to gender diversity at all levels of the Group. The following table sets forth the gender ratios of the employees of the Group, including the Board and senior management, as at the date of this annual report:

	Female	Male
Board	25.0%(2 persons)	75.0%(6 persons)
Senior management	100%(2 persons)	0%(0 person)
Other employees	57.4%(108 persons)	42.6%(80 persons)
All staff	56.6%(112 persons)	43.4%(86 persons)

The Board is of the view that this ratio has reached the goal of gender diversity for all staff and that the Group will maintain a similar ratio for the foreseeable future.

SENIOR MANAGEMENT REMUNERATION

The amounts of the Group's senior management remuneration for the Reporting Period are within the following band:

	Number of individuals
HK $1,000,000 or less	2
HK $1,000,001 to HK $1,500,000	–

Company Secretary

Ms. Lai Janette Tin Yun (賴天恩女士) serves as the Company's secretary and she is a senior manager of Corporate Services in Vistra Group. During the year ended 31 December 2023, Ms. Lai Janette Tin Yun received no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Ms. Hou Jiayue, Board secretary of the Company, has been designated as the principal contact person of the Company, who will cooperate and communicate with Ms. Lai Janette Tin Yun on corporate governance, secretarial and administrative matters of the Company.

(B) FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

The Directors' statement of responsibility for the financial statements set out below should be read in conjunction with the auditors' statement of responsibility in the independent auditors' report included in this annual report. Both liability statements should be construed separately.

The Directors confirm that it is their responsibility to prepare financial statements for each financial year that give a true view of the operating results of the Company. So far as the Directors are aware, there have not been any significant events or circumstances that could have a material adverse effect on the continuing operations of the Company since the Listing Date and up to the end of the Reporting Period.

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements of the Company for FY2023 which give a true and fair view of the state of affairs of the Company and of the results and cash flow for the relevant period. The Directors consider that the consolidated financial statements of the Company for FY2023 have been prepared in conformity with all applicable accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis. The statements of the auditor of the Company about its reporting responsibility on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" in this annual report.

Auditor's Remuneration

The remuneration paid and payable to the Company's external auditor for audit services and non-audit services for FY2023 is as follows:

Service category	**Fees paid/payable** RMB'000
Audit services:	
– Annual audit in 2023	780
– reporting accountant for Listing	500
Non-audit services	–
Total	**1,280**

Risk Management and Internal Control

The Board is aware that it is the responsibility of the Board to maintain adequate risk management and internal control systems to safeguard Shareholders' investment and the assets of the Company. Risk management and internal controls are designed to manage, rather than eliminate, the risk that business objectives will not be achieved and only provide reasonable, not absolute, assurance against material misstatement or loss.

Main Features of Risk Management and Internal Control Systems

The risk management framework of the Group and the main responsibilities of its members in the framework are described as follows:

Members	Main responsibilities
The Board	• Set up goals for risk management strategy, assess and determine the nature and extent of risk acceptable to achieve the strategy goals; • Establish and maintain a proper and effective risk management and internal control systems; and • Review the effectiveness of the risk management and internal control systems annually.
Audit Committee	• Assist the Board in overseeing the risk level and the design and performance of the risk management and internal control systems; • Discuss the risk management and internal control systems with the management; • Ensure that the internal audit function has sufficient resources for operation and has a proper position, review and supervise its performance; and • Report the risk status of the Group and issues to be concerned or improved to the Board on a regular basis.

The Process Used to Identify, Assess and Management of Principal Risks

The process used by the Group to identify, assess and manage significant risks is summarized as follows:

Risk Identification

- Identify risks that may affect the Group's business and operations.

Risk Assessment

- Assess identified risks using assessment criteria established by management; and
- Consider the impact on and consequences of the business and whether it may occur.

Risk Response

- Prioritize risks based on comparative risk assessment results; and
- Identify risk management strategies and internal monitoring processes to prevent, avoid or mitigate risks.

Monitoring and Reporting Risks

- Monitor risks on an ongoing and regular basis to ensure appropriate internal control processes are in place;
- Modify risk management strategies and internal control processes in the event of any significant changes in the situation; and
- Report the risk monitoring results to the management and the Board on a regular basis.

The Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to spot the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's management in time.

Under the Code Provision D.2.5 of the CG Code, the Company shall have an internal audit function. However, due to the size of the Company and cost efficiency, the Company currently does not have an internal audit function. Instead, the Audit Committee is responsible for reviewing the internal control system on an annual basis. The review covers the adequacy of the Company's risk management and internal control systems, effective analysis and independent assessment of the adequacy of resources, staff qualifications and experience, training programs and the Company's accounting budget, internal audit, financial reporting functions and the Company's environmental, social and governance ("**ESG**") performance and reporting related matters. The Board considers that appropriate measures have been put in place to manage risk and no material issues have been raised for improvement during the review. The Company will review the need for an internal audit function on an annual basis.

The Audit Committee has reviewed the Group's risk management and internal control systems during the Reporting Period, the results of which have been summarised and reported to the Board. The Board has also reviewed the effectiveness of the Group's risk management and internal control systems for the Reporting Period. The Board further considers that during the Reporting Period, (i) the Group did not have any material issues relating to the Group's risk management and internal control in relation to its financial, operational and compliance monitoring and risk management functions; and (ii) the Group's risk management and internal control systems are effective and adequate.

(C) ANTI-CORRUPTION AND WHISTLE-BLOWING POLICIES

The Group operates with integrity and regards good corporate governance as an important cornerstone for the sustainable development of the Company. The Group requires its staff to adhere to high standards of integrity and ethical conduct, and strictly prohibits any corrupt or fraudulent conduct. We strictly comply with the relevant laws and regulations on the prevention of bribery, extortion, fraud and money laundering. All members of the Group should take the initiative to avoid any conflict of interest or abuse their positions or powers in the Group for personal gain.

The Company also has a whistle-blowing policy that serves the purpose of establishing whistle-blowing procedures for employees and other relevant external parties of our Company, in order to report and escalate any suspicious misconducts to the Audit Committee in writing. In accordance with the policy, we protect all whistleblowers from any kind of retaliation. All the information provided by the whistleblowers will be strictly confidential.

The Company has developed its disclosure policy of inside information which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

(D) DIVIDEND POLICY

Code Provision F.1.1 of the CG Code stipulates that the issuer should have a policy on payment of dividends and should disclose it in the annual report. The Board recommends the declaration of dividends based on the financial performance of the Company, the interests of the Shareholders, the business conditions and strategies of the Company, capital requirements, tax considerations, contractual, statutory and regulatory restrictions and other factors that the Board considers relevant. Dividends shall be declared to the Shareholders of the Company in general meeting from time to time, but not exceeding the amount recommended by the Board. Any declaration and payment of dividends shall be subject to the requirements under the Articles of Association and relevant laws.

(E) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company has established a Shareholder Communication Policy. The purpose of this policy is to promote effective communication with Shareholders and other stakeholders, encourage active participation of Shareholders in the Company and enable Shareholders to effectively exercise their rights as shareholders. The Board has reviewed the implementation and effectiveness of the Shareholder Communication Policy, which enables the Company to communicate effectively with Shareholders through regular meetings and timely updating of the Company's financial results and business development and is satisfied with the implementation and effectiveness of relevant shareholder communication measures.

The Company has established the following multiple channels to maintain continuous communication with Shareholders:

1. Corporate Communications

"Corporate Communication" as defined in the Listing Rules means any document issued or to be issued by the Company for the information or action of the holders of any of its securities, including but not limited to: (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities should have the right to choose the language (Chinese version or English version) or means of receipt of the Corporate Communications (in hard copy or through electronic means).

2. Company Website

Any information or documents of the Company posted on the Stock Exchange's website will also be posted on the Company' s website (www.youmeimu.com).

3. Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

4. Shareholders' Enquiries

Shareholders who are in doubt about their shareholdings should consult the Company's Hong Kong branch share registrar, Tricor Investor Services Limited. Generally, the Company will not deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company.

(F) SHAREHOLDERS' MEETINGS AND SHAREHOLDERS' RIGHTS

Shareholders may contact the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre,16 Harcourt Road, Hong Kong for any enquiries as to their shareholdings and dividends. If a Shareholder wishes to submit an enquiry to the Board, he/she may send a written enquiry to the Board of Directors at the principal place of business in the PRC. Shareholders should provide their full name, contact details and identification in order to give effect thereto. Shareholders may at any time request information which is available for public inspection.

Pursuant to the code provisions of the CG Code, to safeguard Shareholders' interests and rights, in respect of each substantially separate issue at a general meeting, a separate resolution would be proposed by the chairman of that meeting. The chairman of the Board should attend the Company's annual general meetings and arrange for the chairman of the Audit, Remuneration and Nomination Committees or in the absence of the chairman of such committees, another member of the committee, to be available to answer questions at the Company's annual general meetings. The Company would arrange for the notice to shareholders to be sent in the case of an annual general meeting not less than 21 days before the meeting and to be sent not less than 14 days in the case of all other general meetings. The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.

Pursuant to article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying rights of voting at general meetings. Such requisition shall be made in writing to the Board or company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedure for Resolutions by Shareholders in General Meeting

Shareholders who wish to put forward proposals at general meetings may follow Article 64 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 of the Articles of Association are set out above.

Pursuant to Article 113 of the Articles of Association, no person (other than a retiring Director), shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting unless the Shareholders give notice in writing of their intention to nominate such person for election as a Director and such person gives notice in writing of his willingness to be elected, which notice must be delivered to the head office or the registration office during the period not earlier than the day following the day on which the notice of the general meeting at which the election is to be held is sent and not later than seven days before such general meeting is held, and the minimum period of such notice delivered to the Company is at least seven days.

As at the date of this annual report, based on the information available to the Company from the public and to the best knowledge of the Directors, the Company has maintained adequate public float requirement as required under the Listing Rules.

(G) CONSTITUTIONAL DOCUMENT CHANGES

The Company has not made any changes to its constitutional documents during the period from the Listing Date to 31 December 2023. The latest version of the Memorandum of Association and the Articles of Association are available on the websites of the Company and the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

1.1 Report Summary

This is the first Environmental, Social and Governance ("**ESG**") report issued by the Group, which aims to disclose the Group's strategies, practices, measures and results in ESG in 2023 to government and regulatory authorities, shareholders and investors, employees, customers and other stakeholders.

1.2 Scope and Period of Reporting

In accordance with the substantive principles, this Report covers the Company and its subsidiaries. The reporting period is from 1 January 2023 to 31 December 2023, which is consistent with the financial year covered by the Group's 2023 Annual Report.

1.3 Reporting Guidelines and Principles

This Report has been prepared in accordance with Appendix C2 – Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") to the Listing Rules of the Stock Exchange and complies with the reporting principles of the ESG Reporting Guide, including:

Reporting Principles	Our Response
"Materiality" Principle	The Company has identified material ESG issues of the Group through stakeholder engagement and materiality assessment and made targeted disclosure in the ESG Report.
"Quantitative" Principle	This Report adopts quantitative information to disclose the KPIs in the environmental and social aspects. Quantitative information should be accompanied by a narrative, explaining its purpose and impact
"Consistency" Principle	This Report is our first ESG report, and we will use consistent reporting scope for information disclosure in future years to ensure comparability of information.
"Balance" Principle	This Report follows the balance principle to objectively present the Group's ESG management performance.

1.4 Contact Information

This Report is being published electronically and can be accessed and downloaded from the website of the Stock Exchange (www.hkexnews.hk). The Group values your views for this Report and welcomes your feedback and views on any sustainability measures in the content and form of this Report. You can contact us through the contact information listed on our official website (www.youmeimu.com/sc/contact.php).

2. ESG MANAGEMENT

We integrates the concept of sustainability into the operation and management of the enterprise, implements the sustainability strategy of the Group, expects to achieve harmonious co-existence of the environment, society and stakeholders, continuously reviews its own sustainability performance, and continuously consolidates the management of all aspects of ESG. At the same time, we pay attention to the concern trend of various stakeholders, and deeply integrate the concept of sustainability with our own business.

2.1 Statement of the Board of Directors

The Group firmly believes that ESG is the cornerstone of its stable operation and has established an ESG governance mechanism. We incorporate sustainability management-related matters into the Board's responsibilities, make the Board the highest decision-making body for ESG governance, actively participate in the formulation of ESG strategies, oversee the direction of ESG development, and regularly discuss and review risks and opportunities of ESG development.

We regularly communicate with stakeholders, conduct ESG importance assessment based on the needs of stakeholders and the Company's business development strategy, and the Board reviews the assessment results of ESG importance issues. The Board has participated in the evaluation, prioritization and management of ESG matters. Please refer to the sub-sections "2.4 Stakeholder Engagement " and "2.5 Materiality Assessment" in this Report for details.

We attach importance to ESG risk management and incorporate ESG-related risks into our risk management system. At the same time, the Company focuses on climate change trends and believes that the risks and opportunities presented by climate change can have a significant impact on the Company's business, development strategy and financial performance. During the year, we identified potential climate change risks and opportunities and actively responded to them. Please refer to the sub-sections "7.3 Respond to Climate Change" in this Report for details.

This Report details the progress and results of the Group's ESG work in 2023, which has been reviewed and approved by the Board meeting in 27 March 2024.

2.2 Respond to United Nations Sustainable Development Goals

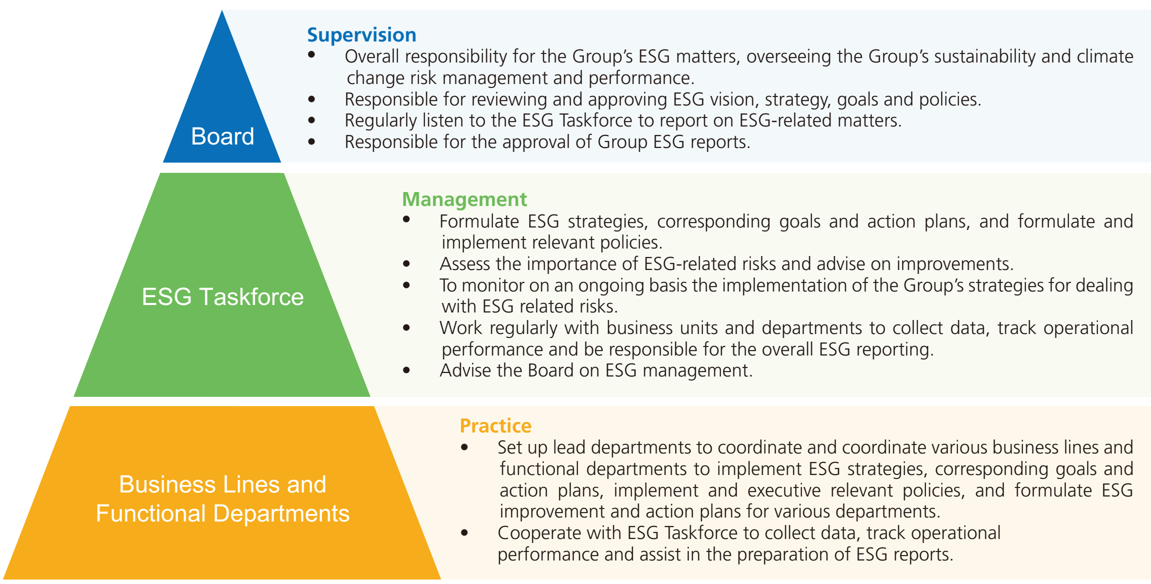
The Group has consistently implemented the concept of sustainability and actively responded to the United Nations Sustainable Development Goals (SDGs), helping to achieve balanced economic, environmental and social development in the form of business operations and value creation. In the daily operation and decision-making of the enterprise, the Group actively integrates the concept of green development into practice, with reference to the SDGs highly relevant to the Group's business development, sets ESG goals and monitoring indicators applicable to the Group, and actively takes actions to implement ESG-related matters to continue to promote the sustainability of the Group. This Report discloses the Group's ESG objectives and key actions during the Reporting Period.

Reporting section	SDGs of Response	Huashi Group's Key Actions
Product and Service Responsibilities	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	We strictly control the quality of products and services through the system, improve the customer complaint management mechanism and customer privacy protection related measures, and continuously improve customer satisfaction; encourage innovation and strictly implement the Company's intellectual property protection mechanism
Employee Responsibilities	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	Based on the "people-oriented" management concept, we will effectively protect the legitimate rights and interests of employees, advocate the construction of an equal, diverse and inclusive workplace environment, and continue to improve the training system, optimize pay and benefits, and pay attention to the physical and mental health of employees
Supply Chain Management	17 PARTNERSHIPS FOR THE GOALS	Manage supplier ESG risk through all phases of supplier life cycle and prioritize the adoption of service providers with strong commitment to sustainability that emphasize environmental practices and materials

Reporting section	SDGs of Response	Huashi Group's Key Actions
Business Ethics	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Advocating that all employees consciously abide by business ethics, resolutely resist negative corruption such as forgetting righteousness for profits, benefiting individuals at the expense of public interests, non-creditability, deception and fraud, and uphold a zero-tolerance attitude towards any form of illegal behavior such as bribery, fraud, extortion, and money laundering
Environmental Responsibility	6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION	Establish environmental targets and take practical environmental protection measures to ensure that pollutants are discharged in compliance with regulations, and identify and respond to climate change and risks
Community Engagement	11 SUSTAINABLE CITIES AND COMMUNITIES	Actively undertake social duties, encourage employees to participate in voluntary public welfare activities, and actively participate in community building

2.3 ESG Management Structure

Establishment and improvement of enterprise ESG management mechanism is an important cornerstone for stimulating enterprise ESG vitality. The Company has established a three-level ESG management structure consisting of the Board, the ESG Taskforce, and various business lines and functional departments, and clarified the roles and responsibilities of each level, promoting the organic combination of environmental, social and governance management and the Company's operations, building a solid foundation for the Company's sustainable development, and ensured the smooth progress of the Company's ESG work.



2.4 Stakeholder Engagement

We attach great importance to communication with stakeholders, establish a multi-channel stakeholder communication system, actively understand the expectations and demands of shareholders and investors, government and regulatory agencies, employees, customers, suppliers, partners, local communities and the public and other stakeholders, and thus establish long-term mutual trust relationship to assist the Group in setting ESG-related goals and action plans and continuously improve the Company's ESG management level.

Stakeholders	Expectations and Concerns	Communication and Response
Shareholders and investors	Investment return Compliance governance Risk management	Corporate communications Company website Shareholders' Meeting Shareholders' enquiries
Government and regulatory authorities	Compliance with laws and regulations Tax according to law Support local development	Institutional visits Policy implementation Information disclosure
Employees	Employee compensation and benefits Talent development and training Occupational health and safety Diversity and equality	Employee training Internal communication channels Employee activities
Customer	Privacy and data protection Product and service quality Compliance Marketing	Quality service Optimize complaint feedback mechanism
Supplier	Good cooperation Business ethics and reputation Environmental and Social Risk Management in Supply Chain	Supplier evaluation Performance of contract Supplier communication and training
Partners	Market synergy Resource sharing	Exchange visits Industry forum
Society and the public	Support social welfare Care for disadvantaged groups Focus on environmental protection	Volunteering events Community activities News report

2.5 Materiality Assessment

ESG materiality issues management is significant to the business development and future planning and risk management of the Group. In accordance with the requirements of the ESG Reporting Guide of the Stock Exchange, and taking into account industry development trends, business characteristics and management feedback, the Group has screened and identified ESG issues that have a significant impact on the Group, and made key disclosure in this Report to effectively respond to the expectations and concerns of various stakeholders. During the year, the Group's ESG materiality assessment process mainly covered the following four steps:

1

Identify issues of materiality

Taking into account the business characteristics of the Group, coupled with the industry characteristics and the requirements of the ESG Reporting Guide of the Stock Exchange, the Group identified 20 issues of materiality and categorised them into account governance, social and environmental aspects.

2

Stakeholder communications

Communicate with stakeholders through different channels and collect feedback and expectations on the Group's ESG performance in 2023.

3

Assessment of Material issues

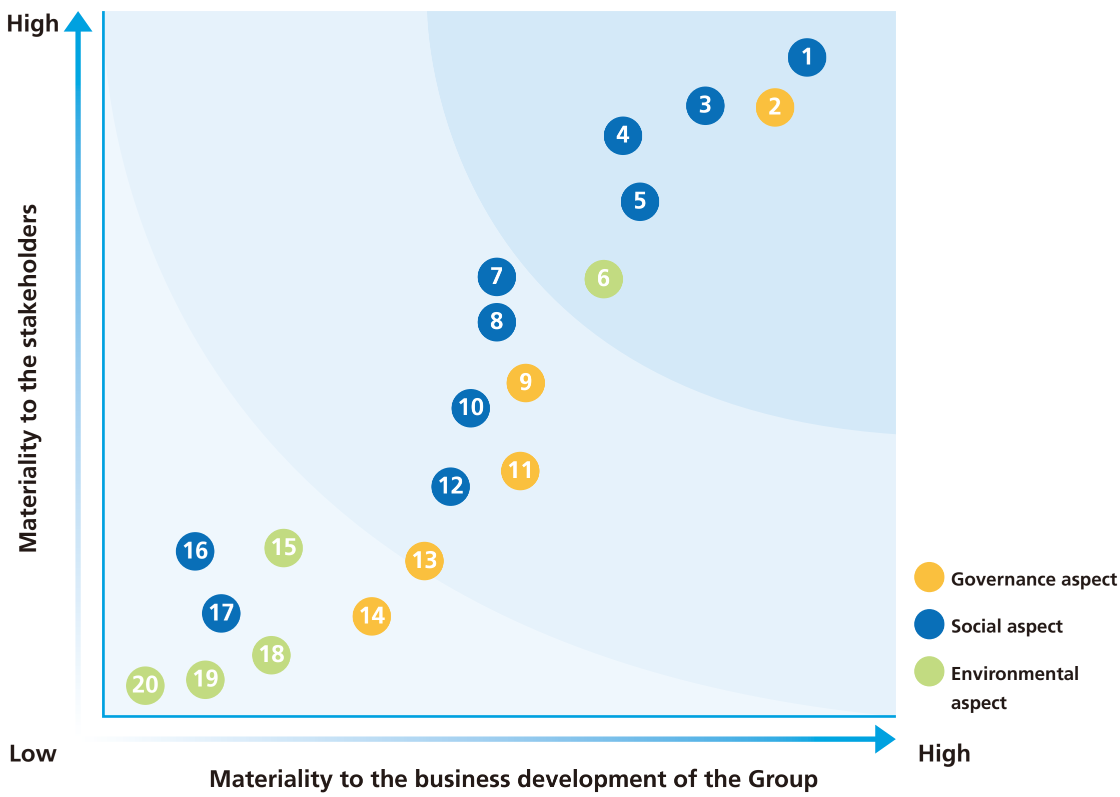
The management of the Group determines the ranking and matrix of ESG material issues based on the understanding of the concerns and expectations of stakeholders, combined with the Group's business performance and the key points and trends of the ESG work of peer companies.

4

Response to material issues

Based on the results of the stakeholder and materiality analysis, the Group confirms the focus of the disclosure in this Report and responds accordingly in the Report.

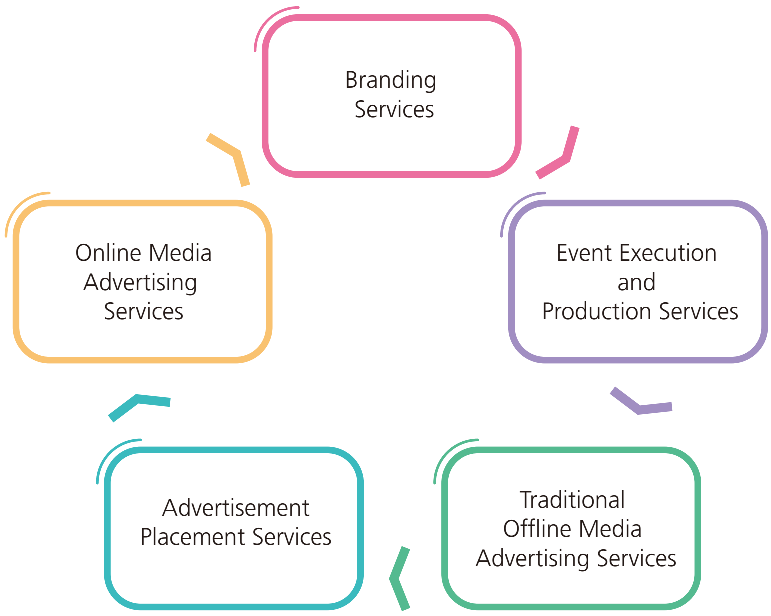
The assessment results of the Group's ESG material issues in 2023 are as follows:



Very important		Important		Less important	
1	Product and service responsibility	7	Remuneration and benefits	14	Intellectual property protection
2	Corporate governance	8	Employee rights and interests' protection	15	Energy management
3	Customer satisfaction			16	Social benefits
4	Privacy security	9	Business ethics and anti-Corruption	17	Sustainable supply chain
5	Staff development and training	10	Occupational health and safety	18	Water resources management
6	Respond to climate change	11	Information disclosure	19	Waste management
		12	Employee employment	20	Packaging management
		13	Risk management		

3. PRODUCT AND SERVICE RESPONSIBILITIES

The Group is committed to providing customers with customized high-quality brand promotion products and services, covering the entire value chain from market research 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. We mainly provide the following five types of services:



We continuously optimize the quality of our products and services, effectively help our customers improve their brand competitiveness and reputation and create value for our customers.

3.1 Service Quality Assurance

The Group attaches great importance to the construction of brand reputation, strictly controls service quality, adheres to the bottom line of responsibility, and builds a sound product and service quality assurance system. We have the ability to integrate diversified services and various media resources in the value chain and have database and strong data analysis capabilities in different industries, and research and analyze market and industry data to fully understand the customers 'products, consumer preferences, competitors' promotional strategies, etc., so as to provide high-quality branding, advertising and marketing solutions for the customers. On this basis, to optimize our customers' advertising and marketing strategies, after providing traditional offline and online advertising services and event execution and production services, we prepare summary reports based on the results provided by advertising media or platforms to analyze and evaluate the effectiveness of our advertising plans or marketing events. At the same time, we continue to expand our advertising resources in various media platforms, develop and maintain system software based on market information in strict accordance with the Company's processes, and actively enhance our ability to extract, analyze and adopt information by establishing cooperative relations with universities and research institutions, so as to provide customers with more professional and diversified services.

In addition, we have developed rigorous quality control, assurance standards, and inspection procedures at each important step in service delivery to ensure quality of service. Our media operation team is responsible for the monitoring and evaluations from planning, production and execution of plans, including summary report and carry out random inspection of advertising plan to ensure that products and services are in compliance with national laws and regulations and meet customer needs. We also collect feedback from our customers and suppliers through various channels and regularly monitor public feedback to continuously improve our services and fully improve the quality of our services.

We provide intangible products and services that are delivered virtually and therefore the products and services sold or delivered do not directly cause personal injury and/or threats to our customers and no products or services are recalled.

3.2 Complaints and Countermeasures

The Group takes an open and responsible attitude towards customer feedback, strictly abides by the relevant laws and regulations such as the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Law of the People's Republic of China on Product Quality*, and continuously improves the establishment of the management system related to customer complaints, standardizes the handling process, in order to build a sound complaint response mechanism with the aim of continuously improving customer satisfaction. Our sales business department is responsible for communicating with customers, collecting customers' complaints and suggestions through various channels, carefully listening to customers' complaints and suggestions, taking immediate actions to investigate and deal with feedback, and following up on the situation in real time to ensure that customers' demands can be addressed. In 2023, the Group did not have any customer complaints related to products and services.

3.3 Privacy and Data Protection

The Group attaches great importance to information security and customer privacy protection, strictly abides by the *Personal Information Protection Law of the People's Republic of China*, the *Cybersecurity Law of the People's Republic of China, the Administrative Measures for the Prevention and Control of Computer Virus of the People's Republic of China and the Regulations of the People's Republic of China on the Security Protection of Information Systems and other laws and regulations, and formulates the Employee Information Security Regulations (《員工信息安全規程》)*, the *Administrative Measures for Computer Systems (《計算機系統管理辦法》),* the *Administrative Measures for the Prevention of Computer Virus (《計算機病毒防範管理辦法》)* and the *Management Procedures for Data Backup (《數據備份管理流程》)* and other systems, which comprehensively guide the Group's network and data security management and continue to strengthen the protection of the privacy of employees and customers.

Following the policy of "prevention first, security first, act in accordance with the law, and comprehensive management," regarding the information management the Group implements unified planning and hierarchical management of our information systems, establishes a sound computer information protection system, extensively conducts information security and privacy protection education, conducts computer system security inspections on a regular basis, and assigns special network administrators to be responsible for the specific implementation and supervision of the Group's information security work and provide technical support. At the same time, we have taken a number of measures to enhance information security and privacy protection, including but not limited to the following:

1. Regularly modify user passwords, upgrade security protection software in real time, comprehensively set up virus killing, and properly backup data.
2. Critical business systems have security recovery mechanisms and contingency measures to ensure the safe operation of the Group's systems.
3. For sensitive data such as customer personal information on the employee's computer, establish an appropriate data storage directory, take encryption storage measures, and delete it with irrecoverable tools in a timely manner after use. It is strictly prohibited to copy business data and customer data privately and take them away from the workplace; if it is necessary for work, it must be approved and agreed by the person in charge of the department.
4. Monitor all computers of the Group and impose warnings, circulars of criticism, fines and demotion depending on the circumstances.

3.4 Intellectual Property Management

In order to protect the Group's intellectual property rights, in accordance with the *Law of the People's Republic of China on Science and Technology Progress*, the *Patent Law of the People's Republic of China, the Contract Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China, the Copyright Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China and the Regulations for the Protection of Computer Software*, we have formulated the *Intellectual Property and Trademark and Patent Management Provisions (《知識產權及商標專利管理規定》)* to refine the intellectual property management requirements of the Group's copyrights, patent rights, trademark rights and other intellectual property rights, and protect our legitimate rights and interests while respecting the intellectual property rights of others. At the same time, through a number of incentives, we encourage employees to apply for intellectual property rights, so as to continuously improve the conversion efficiency of intellectual property rights, and timely apply for registration of the Company's innovation achievements, core technologies, high-quality products and other knowledge products to ensure that they are effectively protected.

In addition, we actively organize employees to participate in intellectual property business training, effectively publicize and implement relevant intellectual property laws and regulations, conventions and basic knowledge to leaders, managers and R&D personnel at all levels, and take the intellectual property achievements and implementation benefits of the project as one of the main basis for the appointment and promotion of technical positions, with the aim of continuously strengthening the intellectual property awareness of employees.

4. EMPLOYEE RESPONSIBILITIES

The Group regards our employees as the most important business partners. We support the mutual growth with employees and target to cooperation and win-win. Based on this concept, the Group has established and implemented a series of human resources management policies, respecting and protecting the legitimate rights and interests of the employees, and providing a diverse, equal and harmonious career platform for employees.

4.1 Employment and Labor Standards

4.1.1 Recruitment and Employment

The Group adheres to the principle of fair and equitable employment, strictly abides by the *Labor Law of the People's Republic of China (《中華人民共和國勞動法》)*, *Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)*, *Employment Ordinance* of the Hong Kong Special Administrative Region and other laws and regulations related to employment in the place of operation, and formulates and implements the *Employee Manual*. Based on the "people-oriented" management concept, the code of conduct for office day-to-day management and employees and its recruitment, dismissal, remuneration, promotion, work hours, vacations, anti-discrimination, equal opportunities and benefits are stipulated to protect the legitimate rights and interests of employees.

The Group strictly regulates relevant procedures such as recruitment and dismissal. We select most competent employees based on their work ability, experience, professional level and professional ethics. The conclusion, modification, rescission and termination of employment contracts shall be subject to related laws, regulations and policies. The Group has formulated clear procedures for termination and modification of labour relations and dismissal. No arbitrary dismissal is allowed to protect employees' rights and interests.

We strictly abide by laws and regulations such as the *Prohibition of Child Labour Provisions《禁止使用童工規定》and the Law of the People's Republic of China on the Protection of Minors*, and formulate relevant procedures and measures in important stages such as employee recruitment and employment, and promise and stipulate that only employees aged 18 and above will be employed, and employees will not be forced to work overtime, so as to avoid any form of child labor and forced labor. During the Reporting Period, the Company did not identify any incidents of child labour or forced labor.

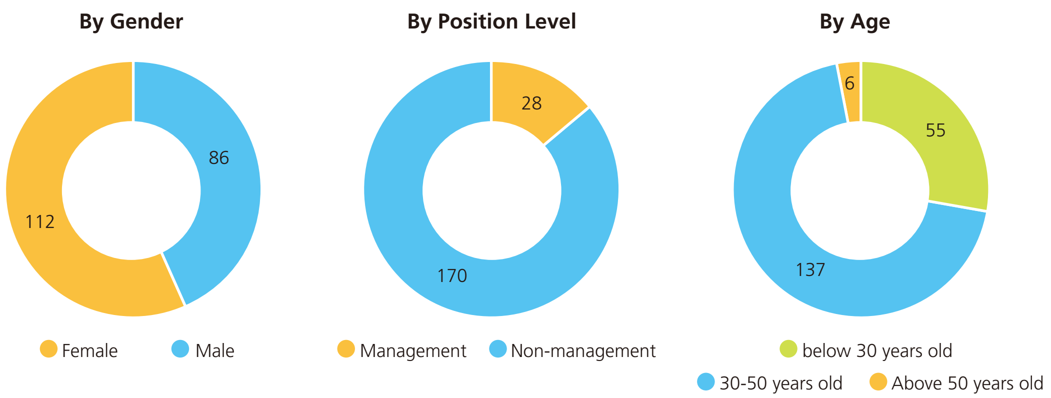
4.1.2 Working Hours and Holidays

The Group adopts the standard working hours and encourages employees to schedule work reasonably. If working overtime is really needed due to work situations, employees can reasonably arrange for working overtime, and monthly overtime is subject to the attendance summary confirmed by employees. In terms of vacation, the Company's employees enjoy paid national statutory holidays, paid statutory annual leave, sick leave, personal leave, marriage leave, maternity leave, funeral leave and other vacations to comprehensively improve employee happiness.

4.1.3 Equality, Diversity and Anti-Discrimination

The Group insists on creating an equal, diverse, fair and impartial work environment and place, and provides equal opportunities for each employee in recruitment, employment, compensation and benefits, training, promotion, etc. We fully respect the legal rights and cultural differences of all employees and job seekers, and eliminate any discrimination based on gender, age, race, ethnicity, nationality, marital status, religious belief, physical disability, etc. We also provide additional vacation and benefits to female employees during pregnancy, childbirth and lactation in accordance with relevant laws and regulations. During the Reporting Period, the Group did not experience any discrimination.

As of 31 December 2023, the Company has a total of 198 employees. They are all full-time employees and come from Mainland China. The specific employee structure is shown in the figure below:



As of 31 December 2023, the Group's total annual turnover rate[1] was 27.47%. As we are in the process of setting up our human resources data collection and management system, the accuracy and reliability of data on employee turnover by gender, age and region, etc. are affected to a certain extent. In order to satisfy the reporting principle of "accuracy", we do not disclose the breakdown of employee turnover for the time being in the current year. At the same time, we will continue to enhance our human resources management practices, improve our data collection and reporting processes, and continuously improve the quality of our data to ensure that we provide accurate breakdowns of employee turnover and disclose them accordingly in our future annual reports.

1 Employee turnover rate formula: Total employee turnover rate = number of employees turned over/total number of employees *100

4.2 Health and Safety

The Group is committed to maintaining a safe and healthy workplace and environment, and strictly abides by the *Law of the People's Republic of China on Work Safety* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other laws and regulations. We set out a series of work safety regulations in the *Employee Manual*, requiring all employees to strictly obey these regulation. In addition, we organize medical examinations each year to enhance employees' understanding and attention to their own health status and monitor their health conditions, and we regularly provide employees with up-to-date information on occupational health and safety, aiming to improve employees' occupational health and safety awareness and safeguard employees' occupational health. In order to identify potential safety risks, we arrange for relevant personnel to regularly inspect office equipment and firefighting equipment to create a safe and comfortable working environment. In the past three years, the Company has not experienced any major health and safety accidents, and no employee's fatality have occurred due to work. During the Reporting Period, the Company lost working days was zero due to work injury, and no occupational disease cases were identified.

	Unit	**2023**	2022	2021
Number of employee deaths	person	**0**	0	0
Ratio of work-related deaths	%	**0**	0	0
Days lost due to work injury	day	**0**	0	0

4.3 Development and Training

With reference to peers and professional natures of different positions, the Group has developed post-based performance standards and corresponding salary standards, and collectively adjust job grades and salaries of employees who meet the promotion requirements every year. Moreover, the Performance Appraisal and Management System(《績效考核與績效管理制度》) is prepared and implemented to guide appraisal and management of employees' performance, and to evaluate employees' working attitude and ability scientifically. The Company requires every employee to undergo annual performance assessment. The results of the annual performance assessment will be used as the basis for rewards and punishment, transfer, salary, dismissal, promotion, post adjustment, potential development and education and training of employees.

All new recruits must receive consistent induction training to familiarise themselves with the Group's rules and regulations and management practices, and continue to participate professional and vocational training in line with departmental needs and business development strategies. We have included employee vocational training participations and time of length in the employee promotion evaluation. During the Reporting Period, the proportion of trained employees of the Company was 100%[2], and the average training hours of trained employees was 2.04 hours[3]. The percentage of trainees and the average training hours[4] of by gender and rank are as follows:

Employee Training in 2023

Average Training Hours per Employee by Gender (hours)

Male
2

Female
2

Average Training Hours per Employee by Position Level (hours)

Management
2.3

Non-management
2

New Employee Enrollment Training

Employee Career Development Training

In 2024, we will continue to increase investment and efforts in employee training, plan to increase training courses settings, create a diversified training system, encourage all employees to participate, set up special training plans and goals for employees at different levels and business lines, and work with employees to grow together.

2 Percentage of trainees = number of trainees/total number of employees*100
3 Average training hours per employee = total number of training hours/total number of employees
4 Average training hours for each category of employees = total hours of training for that category of employees/number of employees in that category

4.4 CARE FOR EMPLOYEES

4.4.1 Remuneration and Benefits

The Group is committed to providing employees with competitive, fair and legal remuneration incentives and perfect welfare treatment, giving full play to the role of remuneration incentives, and continuously improving remuneration and welfare system.

The remuneration packages of the Group's employees include basic salaries and performance bonuses, which are re-determined annually based on the competency, qualifications, length of service, work performance, financial performance of the Group and prevailing market salary levels to provide staff with commensurate compensation incentives. In accordance with the relevant national and local social welfare laws and regulations in the PRC, we make basic social insurance contributions for our employees, including basic pension insurance, unemployment insurance, work-related injury insurance, medical insurance, maternity insurance and housing provident fund.

4.4.2 Employee Communication and Activities

We pay attention to the mental health of employees, and are committed to creating a healthy, comfortable and pleasant working and living environment for employees, as well as alleviating the staff's fatigue in work and life, healing the staff's heart and enriching the staff's spare time life through a variety of activities. We regularly organize collective activities and provide funds for the departments to carry out their own group building activities, so as to create a friendly working atmosphere and promote a balance between work and life.

2023 Employee Communication Activities

In order to celebrate the festival, we provide the staff with the corresponding benefits, such as distributing holiday cash gifts in the Spring Festival, distributing holiday gifts in the Mid-Autumn Festival etc. In addition, to enhance our employees' well-being and promote the exchange and communication among them, we hold twice afternoon tea events a month during which our employees enjoy delicious food and a relaxing atmosphere.

Distributing holiday gifts in the Mid-Autumn Festival

Afternoon tea activities twice a month

5. SUPPLY CHAIN MANAGEMENT

The stability and sustainability of the supply chain is the foundation for Huashi Group to provide quality products and services to our customers. The Group has formulated internal policies such as *Procurement Business Operation Process(《採購業務操作流程》)* to provide institutional guarantee for supplier access, maintenance and evaluation, clarify the responsibilities of internal procurement personnel and reduce supply chain risks.

5.1 Supplier Access

In the access stage, the Group issues the *New Supplier Evaluation Form(《新增供應商評估表》)* for potential new suppliers, and conducts multi-dimensional evaluation, including supplier media resource diversity, service quality standards, broadcast cycle, past business situation, price, etc.「Qualified」suppliers will be included in the *Qualified Supplier List (《合格供方名錄》)*.

In addition, the Group has established and improved a supplier management system according to which suppliers are selected to manage marketing activities involving upstream material consumption. This supplier management system is able to collect relevant information of potential service providers, including the nature of their materials, service quality, business ethics and integrity and past business track record, so that we can efficiently identify the potential environmental and social risks of such suppliers and ensure the quality and sustainability of our suppliers' marketing activities. Prior to the cooperation, we require all service providers to sign the *Purchase Contract (採購合同)*, stipulating and restricting the quality of service, payment method, liability for breach of contract and business conduct and ethics of the supplier.

5.2 Supplier Periodic Assessment

Our Group regularly assesses our service providers on an annual basis, and evaluates our suppliers based on factors such as diversity of media resources, compatibility, price, environmental protection products and services. Suppliers that do not meet the requirements may be excluded from our list of qualified suppliers. For environmental protection products and services, we rate them mainly based on the extent to which environmental protection materials are used by service providers in marketing activities and awareness of environmental protection concepts.

In addition, we prioritize the adoption of service providers that have a strong commitment to sustainability and place as much emphasis on environmental practices and the use of environmental protection materials as possible. By using the selection and evaluation criteria above, we aim to work with service providers that can provide quality marketing activities, while minimizing waste and maintaining sustainability.

Number of suppliers by geographical location	Unit	2023
Mainland China	Number	**63**
Other	Number	**0**

In addition, we actively convey environmental and social duties requirements and expectations to our partners, hoping to build a sustainable supply chain based on a sustainable and long-term partnership.

6. BUSINESS ETHICS

The Group upholds the concept of "law-abiding integrity, high-quality service" as the core business philosophy. We strictly abide by the *Anti-Monopoly Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Interim Provisions on Banning Commercial Bribery* and other national policies and laws and regulations on anti-corruption in the daily operation of the Group, and have formulated the Anti-*Bribery/Anti-Corruption Policy (《反賄賂／反腐敗政策》)* and *Regulations to Comply with the Management Process Policy Guide (《法規遵守管理流程政策指引》)* and other internal policies, hoping to advocate that all personnel consciously abide by business ethics, resolutely resist negative corruption such as forgetting righteousness for profits, benefiting individuals at the expense of public interests, non-creditability, deception and fraud, and adopt a zero-tolerance attitude towards any form of bribery, fraud, extortion, money laundering and other illegal acts.

The administrative department of the Group is the supervision and management department of business ethics, responsible for carrying out the Group's work of controlling commercial bribery and exercising the duties of disciplinary inspection and supervision in accordance with the law. In order to implement the anti-corruption policy, we require personnel in key positions and units or individuals with business dealings to sign the Commitment Letter to Prevent Commercial Bribery(《預防商業賄賂承諾書》) (hereinafter referred to as the "**Commitment Letter**"), and make a true record and analysis of their honest practices and carry out countermeasures and measures to prevent commercial bribery, and take the implementation of the "Commitment Letter" by personnel in key positions as an important content of inspection, assessment and important basis for appointment and dismissal. At the same time, we will hold those who refuse to perform the Commitment Letter accountable in accordance with relevant regulations and strengthen the prevention and control of corruption from the source.

We encourage our employees and suppliers to report misconduct, fraud and non-compliance of our Group's employees through such channels as our whistleblower box, whistleblower phone number and audit committee mailbox. The audit committee of the Group has overall responsibility for implementing, monitoring and regularly reviewing the policy system. After receiving the whistleblowing, the audit committee evaluates the information obtained, and appoints a designated person or investigation team to conduct an investigation. The relevant management decides on the disciplinary action based on the findings of the investigation, and the final decision on the disciplinary action is made after review by the audit committee. We resolutely protect the personal safety and privacy of whistleblowers, establish a whistleblower protection system, keep the identity of whistleblowers confidential, ensure that whistleblowers are treated fairly, and punish any act of retaliation or threat of retaliation against whistleblowers, and handle corruption and other improper acts responsibly. During the Reporting Period, there were no corruption lawsuits against the Company or our employees.

In addition, we lay emphasis on shaping an integrity culture. Anti-corruption requirements are included in the orientation. New joiners need to participate in the training and pass corresponding assessments. We also conduct compliance and anti-corruption training for our management, including our Directors and all our employees from time to time, and enhance the anti-corruption awareness of our Directors and employees by providing training content such as national anti-corruption policies and regulations, policies and systems related to anti-corruption within the Group, and the integrity practices of our Directors.

7. ENVIRONMENTAL RESPONSIBILITY

The Group attaches great importance to environmental protection and is committed to reducing the depletion of natural resources and adverse environmental impacts of our own operations. We integrate environmental protection into our development strategies and day-to-day operations to achieve our environmental goals and create sustainability value. The Group fully complies with the relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, and has formulated a series of relevant systems, which cover waste treatment, reduction of greenhouse gas emissions, emission of water pollutants, efficient utilization of resources such as water and electricity etc. We also review compliance with relevant laws and regulations on an annual basis. During the Reporting Period, the Group did not have any violations of environmental laws and regulations.

Although our business activities do not have a significant impact on the environment and natural resources, we continue to minimize the impact on the environment and natural resources through a series of measures such as resource conservation, recycling and emission reduction.

7.1 Emission and Waste Management

The Group has standardized the treatment procedures for water pollutants, greenhouse gases, hazardous and non-hazardous waste, minimized waste emissions from operations and ensured that all emissions are treated accordingly. Given the nature of our Group's business, we are not involved in any manufacturing activities or construction projects and therefore there are no emissions and waste that have a significant impact on the environment.

Currently, wastewater discharge is mainly a small amount of domestic sewage generated from operation, which meets national and local discharge standards.

Wastewater	**2023**
Discharge of domestic wastewater (tonnes)	**4,766.40**

Fuel combustion of vehicles is our primary source of direct greenhouse gas emissions, while our indirect greenhouse gas emissions are derived primarily from purchased electricity. Other air pollutants, including nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PMs), are also produced by the use of automobiles.

Greenhouse gas emissions[5]	**2023**
Total emissions of NOx (kg)	**18.35**
NOx intensity (Kg/RMB ten million revenue)	**0.78**
Total emissions of SOx (kg)	**0.16**
Total emission intensity of SOx (Kg/RMB ten million revenue)	**0.01**
Total emissions of PM (kg)	**1.58**
Total emission intensity of PM (kg/RMB ten million revenue)	**0.07**
Greenhouse gas emissions (Scope 1) (tonnes of CO_2 equivalent)	**24.67**
Greenhouse gas emissions (Scope 2) (tonnes of CO_2 equivalent)	**172.36**
Total Greenhouse gas emissions (tonnes of CO_2 equivalent)	**197.02**[6]
Total Greenhouse gas emissions intensity (tonnes of CO_2 equivalent/RMB ten million revenue)	**8.40**

5 Greenhouse gas accounting is presented in carbon dioxide equivalents, and the greenhouse gas accounting methodology and conversion factors are derived from the Guidelines on Greenhouse Gas Emission Accounting Methodology and Reporting for Enterprises in Other Industrial Sectors (《工業其他行業企業溫室氣體排放核算方法與報告指南》)issued by the National Development and Reform Commission.

6 Because of rounding, the direct calculation may not be equal.

Greenhouse gas emission targets:

Using 2020 as the base year, Greenhouse gas emissions intensity will not increase by more than **10%** by the end of 2025

Measures to reduce greenhouse gas emissions:

- Employees are required to turn off lighting, equipment and other electronic devices when equipment is not used and before leaving the premises.
- Use more energy efficient lighting products, such as LED lights.
- Set and maintain the air conditioning preset temperature at about 24 degrees.
- Use Company vehicles only for necessary meetings.
- Regular inspection and maintenance of vehicles and equipment to reduce additional greenhouse gas emissions due to wear and tear.

Since we operate primarily in offices and do not involve any production activities, no hazardous waste is generated. Non-hazardous waste is mainly domestic waste and kitchen waste. During the year under review, the Company has not yet systematically started the statistical work on non-hazardous waste, and the "accuracy" and "completeness" of the data may be affected, therefore, the weight of non-hazardous waste will not be disclosed for the time being. We will continue to improve our recording system and mechanism and disclose the relevant data in the future.

7.2 Use of Resources

In order to promote environmental protection, the Group implements the concept of energy conservation, emission reduction and water conservation. In the *Employee Manual*, the Group has formulated standards for the use of energy, water resources and other office resources, actively explores opportunities to improve the efficiency of resource use and continues to promote various resource conservation measures. We deepen our green operating practices by posting notices in corporate offices, restrooms, tearooms and other locations to raise awareness of our employees' need to save water and electricity, while we regularly analyze and evaluate Use of Resources data to better manage our resources.

Gasoline and purchased electricity are the major energy consumption in our operations. In order to save energy use, we aim to make rational use of electricity, vigorously promote energy conservation measures, and improve energy use efficiency. We save resources by including but not limited to the following initiatives:

- Require the closure of unused electrical equipment and provide for the closure of all Company power, lighting and air conditioning systems after work.
- Encourage double-sided printing, advocate paperless office, minimize the use of printers and other equipment.
- Replace and use energy-saving and environmental protection electrical equipment as priority.
- We will promote a green conference model and encourage teleconferences and online meetings to reduce travel demand.
- Encourage employees to travel green and use public transport wherever possible.

Our day-to-day operations do not involve the consumption of significant amounts of water resources and our water sources are predominantly municipal water supplies, so there are no issues related to obtaining suitable water sources.

The Group has set water use targets and has taken multiple measures to achieve the targets within the target year:

Water Use Objective:

Using 2020 as the base year, water consumption will increase by no more than **10%** by the end of 2025

Water conservation measures:

- We will improve the water management system and improve the efficiency of water use.
- Employees are required to shut down faucets at work and in their lives, reducing water consumption.
- Strengthen the daily maintenance of water equipment to prevent long-term water leakage.
- Upgrade water-using equipment regularly and use water-saving equipment with high efficiency.
- Monitor water resource loss data to identify key water saving links.

As we mainly provide branding, advertising and marketing services, we do not involve production in the course of our operations and therefore do not involve significant use of packaging materials.

Resource category	2023
Total energy consumption ('000 kwh)	404.60
Direct energy consumption ('000 kwh)	102.38
Indirect energy consumption ('000 kwh)	302.22
Energy use density ('000 kwh/RMB ten million revenue)	17.24
Total water consumption (tonnes)	5,296.00
Water density (tonnes/RMB ten million revenue)	225.65

7.3 Respond to Climate Change

The Group incorporates climate physical and transition risks analysis into our risk assessment process and risk appetite setting, and annually conducts climate change risk assessment by the Board or external experts, and reviews the Group's existing strategies, objectives and internal controls to implement necessary improvements to reduce the likelihood of potential risk occurrence. If risks and opportunities are considered material, we will make reference to them in our strategic and financial planning process. The Board, audit committee and ESG Taskforce of the Group oversee the management of the Group's climate-related risks on an ongoing basis and monitor such risks as part of standard operating procedures to ensure appropriate mitigation measures are in place in regular management reviews. In 2023, the Group has identified potential physical and transition risks of climate change.

Risk Categories	Potential Impact	Risk Response
Physical risk	• Extreme weather events caused by climate change, such as floods and tropical storms, have become more frequent and unpredictable. This creates a physical risk that threatens the safety of employees, impairs normal power and water supplies, damages corporate assets, and disrupts supply chain continuity, resulting in additional costs to repair and restore damaged infrastructure while reducing benefits. • Global warming will increase the need for cooling to prevent overheating of equipment and cooling in the day-to-day office, leading to higher power costs. Higher temperatures also expose more people to heat-related health risks, which directly affect labor productivity.	• The risk management team of the Group considers potential asset losses and supply chain disruption risks related to extreme weather in the plan and formulates a policy on severe weather conditions to cope with business disruptions caused by extreme weather events and improve its handling capacity for various accidents, disasters and health events. • The Group tracks the changing climate and, where appropriate, modifies the operational process to incorporate climate risk into our risk management and strategic planning, while implementing a number of energy conservation measures to reduce energy consumption.

Risk Categories	Potential Impact	Risk Response
Transition risk	• Investors and the public are increasingly demanding that companies respond positively to climate change, and failure to respond could negatively affect companies' performance in the capital markets and public perception. • National climate-related laws and regulations impose more stringent requirements on greenhouse gas emissions and emission ranges, increase the cost of greenhouse gas emissions, and strengthen regulation of the company's green operations.	• The Group takes into account sustainability and environmental issues when making decisions on brand development strategies and advertising activities to meet market and customer expectations, disclose information in strict compliance with relevant regulations, actively communicate with stakeholders, promote multi-party cooperation and enhance the Group's reputation. • The Group keeps abreast of the latest laws, regulations and standards in the regions where it operates, and continuously improves the Company's environmental management system and standards; continue to promote refined management of energy use and ensure the implementation of relevant energy conservation and emission reduction measures; increase the Company's renewable energy use percentage, such as purchasing green power; establish a supplier management system that uses sustainability as the evaluation criteria for selecting suppliers.

The Group has also identified potential opportunities for climate change and has assessed the positive impact of the corresponding opportunities on the Group. In the future, we will gradually carry out relevant countermeasures.

Opportunity Category	Potential Impact
Resource efficiency	• Reduce the use of resources, thereby reducing operating costs through the efficient use of resources, waste recycling, the use of new technologies, etc.
Products and services	• Develop climate adaptation options, develop innovative products and services that meet new needs, and drive diversified operations to increase revenue.
Market	• Increase revenue by entering new markets.
Resilience	• Continue to improve the Group's institutions and systems, strengthen resource substitution and diversification and the reliability of the supply chain, and improve the Group's adaptability to various environments, so as to increase market valuations and increase revenue.

8. COMMUNITY ENGAGEMENT

The Group actively undertakes social duties, cares about social welfare, is concerned about the development of surrounding communities, and is willing to integrate resources and give full play to its corporate strengths to strive to bring positive impact on community development. We also encourage staff to participate in community welfare and volunteer services to help the disadvantaged and help build a harmonious society.

Case sharing

Break waves in "East Lake, create reputable brand (東湖破浪，品牌有聲)" public welfare activities

Based on the Company's own advantages and business characteristics, the Group actively responded to the government's call and industry's call, took the initiative to undertake its own social duties, launched the East Lake brand public welfare plan with the theme of "break waves in East Lake, create reputable brand (東湖破浪，品牌有聲)" and helped 100 small-medium enterprises to provide brand operation services free of charge, with the purpose of promoting the quality and efficiency of enterprise operations, and helping the real economy restore development confidence. To this end, the Group has selected 100 brand effect business backbones, and collected 100 small enterprises nationwide, so as to achieve "one person, one enterprise", designate responsibilities to individuals, and achieve "one-to-one" efficient professional services.

9. APPENDIX: INDEX TO EXCHANGE ESG REPORTING GUIDE

ESG Indicators		Disclosure	Corresponding chapter
A1 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	7.1 Emission and Waste Management
A1.1	The types of emissions and respective emissions data.	Disclosed	7.1 Emission and Waste Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	7.1 Emission and Waste Management
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	7.1 Emission and Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	7.1 Emission and Waste Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	7.1 Emission and Waste Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	7.1 Emission and Waste Management

ESG Indicators		Disclosure	Corresponding chapter
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	7.2 Use of Resources
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	7.2 Use of Resources
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	7.2 Use of Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	7.2 Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	7.2 Use of Resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable. The Group is a non-production enterprise without the use of packaging materials	/

ESG Indicators		Disclosure	Corresponding chapter
A3 General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	7.2 Use of Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	7.2 Use of Resources
A4 General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	7.3 Respond to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	7.3 Respond to Climate Change
B1 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	4.1 Employment and Labor Standards
B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	Disclosed	4.1 Employment and Labor Standards
B1.2	Employee turnover rate by gender, age group and geographical region.	Comply or explain	4.1 Employment and Labor Standards

ESG Indicators		Disclosure	Corresponding chapter
B2 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	4.2 Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	4.2 Health and Safety
B2.2	Lost days due to work injury.	Disclosed	4.2 Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	4.2 Health and Safety
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	4.3 Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	4.3 Development and Training
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	4.3 Development and Training

ESG Indicators		Disclosure	Corresponding chapter
B4 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	4.1 Employment and Labor Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	4.1 Employment and Labor Standards
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	4.1 Employment and Labor Standards
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	5 Supply Chain Management
B5.1	Number of suppliers by geographical region.	Disclosed	5 Supply Chain Management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	5 Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	5 Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	5 Supply Chain Management

ESG Indicators		Disclosure	Corresponding chapter
B6 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	3.1 Service Quality Assurance
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. The Group is a non-productive enterprise and does not involve products that need to be recycled for safety and health reasons	/
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	3.2 Complaint and Response
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	3.4 Intellectual Property Management
B6.4	Description of quality assurance process and recall procedures.	Not applicable. The Group is a non-production enterprise and does not involve the quality verification process and product recycling procedures	/
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	3.3 Privacy and Data Protection

ESG Indicators		Disclosure	Corresponding chapter
B7 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	6 Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	6 Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	6 Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	6 Business Ethics
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	8 Community Engagement
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	8 Community Engagement
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	8 Community Engagement

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HUASHI GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huashi Group Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 112 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Refer to summary of accounting policies in note 3.5 and disclosure of revenue in note 5 to the consolidated financial statements.

The Group is principally engaged in the provision of branding, advertising and marketing services and advertisement placement services in the PRC.

REVENUE RECOGNITION (Continued)

Revenue from provision of branding services, event execution and production services, and multimedia advertising services are recognised over service/performance period. Furthermore, the Group only acts as agent in the provision of advertisement placement services (including rebates from Media Partner) and recognised fee, commission or net amount of consideration retained after paying the other party the consideration received in exchange for those services provided by that party as revenue.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the recognition of revenue by management to meet specific targets or expectations.

Our Response

Our procedures in relation to assess the recognition of revenue included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;

- Inspecting agreements with advertisers, on a sample basis, to understand the terms of advertising services and assess whether management recognised the related revenue in accordance with the Group's accounting policies, with reference to the requirements of the prevailing accounting standards;

- Obtaining confirmations, on a sample basis, from major customers of the Group of sales transactions during the year, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation;

- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying agreements with advertisers and monthly customer statements to determine whether the related revenue had been recognised in the appropriate financial period; and

- Comparing sales records for a sample of sales transactions recorded during the year with relevant underlying documentation, which included sales invoices and monthly customer statements with evidence of the customers' receipt of the services and the date of receipt of the services by the customers.

RECOVERABILITY OF TRADE RECEIVABLES

Refer to summary of accounting policies in note 3.4(ii), critical accounting estimates and judgements in note 4(ii) and disclosure of trade receivables in note 18 to the consolidated financial statements.

As at 31 December 2023, the Group had net trade receivables amounting to approximately RMB243.3 million after making allowance for impairment loss of approximately RMB16.1 million. It represented approximately 49.3% of the total assets of the Group and is considered quantitatively significant to the Group.

The Group measures the loss allowance for its trade receivables at an amount equal to the lifetime expected credit losses ("**ECLs**") using the provision matrix. The provision matrix is determined based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of trade receivables and determining the allowance for impairment losses.

Our Response

Our procedures in relation to the recoverability of accounts receivable included the following:

- Discussing with management whether the provision for ECLs is adequate and assess the assumptions and estimates made by the management in development of the ECLs are in compliance with HKFRS 9;

- Obtaining an understanding of the basis of management's approach to measuring ECLs of trade receivable balances and assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rate are appropriately adjusted based on current economic conditions and forward-looking information;

- Testing the integrity of information used by management and management valuer for impairment assessment, including trade receivables ageing analysis as at 31 December 2023, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents.

- Obtaining confirmations on a sample basis at the year end, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation;

- Obtaining external valuation reports from management's expert and assessing the capability, competency, objectivity and independence of the management expert; and

- Engaging external valuation specialist to review the reasonableness of ECLs estimation and assumption performed by management's experts.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate no. P06095

Hong Kong, 27 March 2024

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	*5*	**234,747**	207,167
Cost of services		**(84,886)**	(103,882)
Gross profit		**149,861**	103,285
Other income and other losses, net	*6*	**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	*7*	**(2,271)**	(1,457)
Profit before income tax expense	*8*	**78,778**	55,610
Income tax expense	*9*	**(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	*11*		
– Basic and diluted (RMB cents)		**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	*13*	**16,982**	17,958
Right-of-use assets	*14*	**3,383**	1,804
Intangible asset	*15*	**2,404**	3,569
Deferred tax assets	*25*	**3,242**	1,649
Prepayments	*19*	**45,432**	9,000
		71,443	33,980
Current assets			
Contract assets	*17*	**1,008**	2,319
Trade receivables	*18*	**243,311**	102,602
Deposits, prepayments and other receivables	*19*	**7,217**	20,586
Amount due from shareholders	*21*	**–**	307
Cash and cash equivalents	*20*	**171,023**	2,874
		422,559	128,688
Total assets		**494,002**	162,668
Liabilities			
Current liabilities			
Trade payables	*22*	**84,899**	7,908
Accruals and other payables	*23*	**7,820**	7,206
Contract liabilities	*5*	**1,873**	4,357
Lease liabilities	*16*	**1,149**	1,844
Borrowings	*24*	**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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
Non-current liabilities			
Borrowings	*24*	**10,990**	719
Lease liabilities	*16*	**6,628**	996
Deferred tax liabilities	*25*	**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	*27*	**276,515**	322
Reserves	*27*	**(13,906)**	93,806
TOTAL EQUITY		**262,609**	94,128

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Chen Jicheng
Director

Xue Yuchun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company				
	Share capital RMB'000 *(Note 27)*	Capital reserves* RMB'000 *(Note 27)*	PRC statutory reserves* RMB'000 *(Note 27)*	Retained profits* RMB'000	Total RMB'000
Balance at 1 January 2022	322	1,596	9,580	36,971	48,469
Profit for the year	–	–	–	45,659	45,659
Appropriation to PRC Statutory Reserves	–	–	1,330	(1,330)	–
Balance at 31 December 2022 and 1 January 2023	**322**	**1,596**	**10,910**	**81,300**	**94,128**
Profit for the year	**–**	**–**	**–**	**64,983**	**64,983**
Issue of shares upon listing *(Note 27)*	**44,857**	**74,699**	**–**	**–**	**119,556**
Issue of shares under Capitalisation issue *(Note 27)*	**231,336**	**(231,336)**	**–**	**–**	**–**
Expenses attributed to issue of new shares upon listing	**–**	**(16,058)**	**–**	**–**	**(16,058)**
Balance at 31 December 2023	**276,515**	**(171,099)**	**10,910**	**146,283**	**262,609**

* The total of these amounts as at the reporting dates represents "Reserves" in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Profit before income tax expenses		**78,778**	55,610
Adjustments for:			
Interest income	*6*	**(791)**	(149)
Finance costs	*7*	**2,271**	1,457
Depreciation of plant and equipment	*13*	**4,842**	4,504
Amortisation of intangible assets	*15*	**1,165**	1,165
Depreciation of right-of-use assets	*14*	**833**	1,206
Exchange loss	*6*	**1,287**	–
Provision for expected credit loss on financial and contract assets, net		**7,435**	5,935
Operating profit before working capital changes		**95,820**	69,728
Decrease/(increase) in contract assets		**1,428**	(2,307)
Increase in trade receivables		**(148,670)**	(75,555)
Decrease/(increase) in deposits, prepayments and other receivables		**13,778**	(15,870)
Increase/(decrease) in trade payables		**76,991**	(2,895)
Increase in accruals and other payables		**614**	87
(Decrease)/increase in contract liabilities		**(2,484)**	3,635
Cash generated from/(used in) operations activities		**37,477**	(23,177)
Income tax paid		**(13,590)**	(6,081)
Net cash generated from/(used in) operating activities		**23,887**	(29,258)
Cash flows from investing activities			
Interest received	*6*	**791**	149
Purchase of plant and equipment	*13*	**(3,866)**	(15,851)
Prepayment for intangible assets		**(32,932)**	(3,000)
Prepayment for equipment		**(8,000)**	–
Refund of prepayment for an intangible asset		**4,500**	–
Repayment of amount due from a shareholder		**307**	–
Net cash used in investing activities		**(39,200)**	(18,702)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	*26*	**128,950**	37,990
Repayment of borrowings	*26*	**(47,953)**	(14,236)
Lease payment	*26*	**(310)**	(1,842)
Refund of lease payments	*26*	**2,581**	–
Payments of loan interests	*26*	**(2,017)**	(1,281)
Proceeds from issue of new shares	*27*	**119,556**	–
Payments of share issue expenses	*27*	**(16,058)**	–
Net cash generated from financing activities		**184,749**	20,631
Net increase/(decrease) in cash and cash equivalents		**169,436**	(27,329)
Exchange difference		**(1,287)**	–
Cash and cash equivalents at beginning of the year		**2,874**	30,203
Cash and cash equivalents at end of the year		**171,023**	2,874

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.

Particulars of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements.

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. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

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.

2. BASIS OF PREPARATION (Continued)

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 which 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.

2. BASIS OF PREPARATION (Continued)

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

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 – Classification by the Borrower of a Term 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. SUMMARY OF ACCOUNTING POLICIES

This note provides a list of the accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.2 Intangible assets and research activities

Intangible assets acquired separately are initially recognised at cost. Expenditure on research activities is recognised in profit or loss as incurred.

Intangible assets with finite useful lives are subsequently amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

Mobile application	5 years

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.

3.3 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight line method. The useful lives are as follows:

Leasehold improvements	Over the remaining life of the related leases but not exceeding 5 years
Motor vehicles	10 years
Office equipment	3 – 5 years
Broadcasting equipment	5 years

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.3 Plant and equipment (Continued)

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.4 Financial instruments

i. Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item classified as subsequently measured at amortised cost, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments including trade receivables, deposits and other receivables that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost using effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Group derecognises these assets when contractual rights to the cashflows from the asset expire, or when it transfers these asset and substantially all the risks and rewards of ownership of the asset to another entity.

ii. Impairment loss on financial assets

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

ii. Impairment loss on financial assets (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.4 Financial instruments (Continued)

ii. Impairment loss on financial assets (Continued)

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

iii. Financial liabilities

Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable transaction costs incurred. They are subsequently measured at amortised costs under effective interest method. Interest expense and foreign exchange gains and losses and recognised in profit or loss.

Gains or losses are also recognised in profit or loss when the liabilities are derecognised Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

iv. Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3.5 Revenue recognition

i. Provision of branding services

The Group provide branding services to customers where the Group will conduct market research and formulate comprehensive and customised branding services proposals for customers covering various areas, including corporate brand building, products and/or services positioning, and marketing and sales strategies, which generally include studying and analysing on the customer's brand; designing and planning of the brand development strategies and design of the brand image; as well as formulation of products and/or services marketing and brand promotion plans.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

i. Provision of branding services (Continued)

The customer generally pays a non-refundable deposit upon entering the contract and will make the remaining payments by instalments during the provision of branding services. Invoices issued are generally payable within 90 days. If the contract were to be terminated, the Group has an enforceable right to cost plus a margin. The Group has applied the practical expedient not to recognise any financing element as the contracts are typically completed within one year and because of the payment terms. A single performance obligation is generally identified in contracts for branding services due to the high degree of integration of the various tasks forming a combined output that is transferred to the customer over time. Revenue is recognised over time based on input method as the branding services proposals are highly customised to the customer, have no alternative use for the Group and the Group generally has enforceable rights to payment for performance completed to date. The stage of completion is assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract.

ii. Provision of event execution and production service

Event execution and production services refer to organisation and implementation of marketing events to promote the brands, products and/or services of the customers. Specifically, event execution and production services refer to a variety of professional services including event planning, venue leasing, material procurement, on-site management and coordination in both offline scene activities such as literary events, programs, exhibitions, roadshows, press conferences and symposiums, and online scene activities such as online forums and social networking services platforms.

The customer generally pays a non-refundable deposit upon entering the contract and will make the remaining payments by instalments during the provision of event execution and production services. Invoices issued are generally payable within 90 days. If the contract were to be terminated, the Group has an enforceable right to cost plus a margin. The Group has applied the practical expedient not to recognise any financing element as the contracts are typically completed within one year and because of the payment terms. A single performance obligation is generally identified in contracts for event execution and production services due to the high degree of integration of the various tasks forming a combined output that is transferred to the customer over time. However, where there are contracts with more than one service that are capable of being distinct and are distinct within the context of the contract, those services are accounted for as separate performance obligations, and revenue is allocated to each of the performance obligations based on relative stand-alone selling prices. The stand-alone selling price is estimated using expected cost plus a margin approach, factoring in expected costs of satisfying the performance obligations and add an appropriate margin for that services. Revenue is recognised over time based on input method as the marketing events are highly customised to the customer, have no alternative use for the Group and the Group generally has enforceable rights to payment for performance completed to date. The stage of completion is assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

iii. Provision of multimedia advertising services

Multimedia advertising services comprises traditional offline media advertising services and online media advertising services, through procurement of advertising resources from traditional offline media such as TV, radio and outdoor advertising space and online media such as websites, search engines, applications and social media platforms.

The customer generally pays service fee on monthly basis during the provision of advertising services. Invoices issued are generally payable within 90 days. The Group has applied the practical expedient not to recognise any financing element as the contracts are typically completed within one year and because of the payment terms. In most instance, promised services in a contract are not considered distinct or represent a series of services that are substantially the same with the same pattern of transfer to the customer and, as such, are accounted for as a single performance obligation.

The amount of revenue recognised depends on whether the Group act as an agent or as a principal. Certain arrangements with the customers are such that the Group is to arrange for a third party to provide a specified service to the customers. In these cases, the Group is acting as an agent as the Group do not control the relevant the service before it is transferred to the customers. When the Group act as an agent, the revenue recognised is the net amount of consideration to which the Group retains after paying the supplier in exchange for the services to be provided by that party. The Group acts as principal when the Group control the specified good or service prior to transfer, and the revenue recognised is the gross amount of consideration to which would be entitled. The Group does not obtain control of the services before it is being transferred to the customer, when the Group (i) is primarily responsible to arrange the services to be provided by third parties rather than fulfilling the promise; (ii) has not obtained or committed to obtain the service before obtaining a contract with a customer such that the Group did not have the ability to direct the use of the services provided by the supplier; and (iii) has no discretion in establishing the prices and selecting the supplier.

When the Group is a principal, revenue from provision of multimedia advertising services is recognised on a straight-line basis over the performance period for which the services are rendered as the customer simultaneously receives and consumes the benefits from the Group's performance as the Group performs, otherwise, revenue is recognised when the Group fulfilled the specific performance obligation under the finalised contract terms with customers.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition (Continued)

iv. Provision of advertisement placement services

The Group provides advertisement placement services to the Group's advertisers. Media Partners also grant to the Group rebates in cash mainly based on the gross spending of the advertisers.

In these arrangements the Group (i) is merely responsible for helping advertisers or their agents to arrange the specified services to be transferred by the Media Partner; (ii) has no bearing for inventory risks because the Group does not have ownership of online media advertising resources provided by the Media Partner; and (iii) has no discretion in establishing the prices for the specified services to be provided by the Media Partner. The Group has no control on the specified service before that service is delivered to the advertisers and only act as the agent to help the advertisers or their agents to liaise with the Media Partner which will transfer the services to the advertisers or their agents. The online media platforms of the Media Partner are identified and determined by the advertisers or their agents and the Group has no ownership of the advertisement and has not acquired user traffic from the Media Partner. Instead, the Group helps to liaise with the Media Partner to arrange the advertisement placement on various media platforms of the Media Partner. Therefore, the Group recognises fee, commission or net amount of consideration retained after paying the other party the consideration received in exchange for those services provided by that party as revenue. Under these arrangements, the rebates earned from the Media Partners are recorded as revenue in the consolidated statement of profit or loss.

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

3.6 Leases

The Group as a lessee

All leases are capitalised in the statement of financial position as right-of-use assets and lease liabilities except for (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.6 Leases (Continued)

Right-of-use asset

The right-of-use asset are initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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. The Group measures the right-of-use assets applying a cost model. Under the cost model, the 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 the estimated useful lives of the assets.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequent to the commencement date, the Group measures the lease liability by:

i. increasing the carrying amount to reflect interest on the lease liability;

ii. reducing the carrying amount to reflect the lease payments made; and

iii. remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.6 Leases (Continued)

Lease liability (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

3.7 Income tax

Income taxes for the year comprise current tax and deferred tax. Income taxes for the year comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences. Except for initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits and does not give rise to equal taxable and deductible temporary difference, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

3.8 Employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

3.9 Impairment of other assets

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

- plant and equipment;
- right-of-use assets and
- intangible assets

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key sources of estimation uncertainty are as follows:

i. Useful lives of plant and equipment and intangible asset

The Group determines the estimated useful lives, and related depreciation and amortisation charges for its plant and equipment and intangible asset. The estimates are based on the historical experience of the actual useful lives of plant and equipment and intangible asset of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated useful lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore affect the depreciation and amortisation charges in future periods.

ii. Impairment of financial and contract assets

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

iii. Income taxes and deferred tax

Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

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.

iv. Impairment of non-financial assets

The 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. The calculation of the fair value less costs of disposal is based on such available data as 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 or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

v. Determination of revenue recognition on gross or net basis

As disclosed in Note 2.6, the Group provides provision of advertisement placement services and multi media advertising services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal vs agent assessment. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the Group is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the Group has inventory risk before and after the specified service has been transferred to a customer; and (c) whether the Group has discretion in establishing the prices for the specified goods or service. The 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.

5. REVENUE

Management has determined the operating segments based on the reports reviewed by chief executive officer. The chief executive officer, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the year ended 31 December 2023 and 2022, the Group is principally engaged in the provision of branding, advertising and marketing services and advertisement placement services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief executive officer of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

Information about major customers

None of revenue from external customers derived from provision of branding, advertising and marketing service and advertisement placement services contributing over 10% to the total revenue of the Group for the years ended 31 December 2023 and 2022.

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 the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

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 **RMB'000**	2022 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

5. REVENUE (Continued)

	2023 RMB'000	2022 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

(a) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2023 and 2022, there was no significant incremental costs to obtain a contract.

(b) Details of contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2023 RMB'000	2022 RMB'000
Contract liabilities	1,873	4,357

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

5. REVENUE (Continued)

(b) Details of contract liabilities (Continued)

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period is in relation to contract liabilities.

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
– Branding services	38	457
– Event execution and production services	589	265
– Online media advertising services	2,769	–
– Advertisement placement services	961	–
	4,357	722

6. OTHER INCOME AND OTHER LOSSES, NET

	2023 RMB'000	2022 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

Note:

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.

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on borrowings	2,017	1,281
Interest on lease liabilities *(Note 16)*	254	176
	2,271	1,457

8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting) the following:

	2023 RMB'000	2022 RMB'000
Auditor's remuneration	780	–
Cost of services provided by suppliers	73,218	95,552
Amortisation of intangible assets *(Note 15)*	1,165	1,165
Depreciation of plant and equipment *(Note 13)*	4,842	4,504
Depreciation of right-of-use assets – Leased properties *(Note 14)*	833	1,206
Research costs recognised as an expense	22,617	17,452
Provision for expected credit loss on financial and contract assets, net	7,435	5,935
Listing expenses	15,745	4,735
Short-term lease expenses	1,872	1,141
Staff costs (including directors' emoluments):		
Salaries and bonus	17,462	12,363
Pension costs, housing funds, medical insurances and other social insurances *(Note (a))*	3,213	2,394
	20,675	14,757

Note (a):

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiaries in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

9. INCOME TAX EXPENSE

	2023 **RMB'000**	2022 RMB'000
Current tax		
Tax for the current year	**12,580**	8,802
Deferred tax		
Charged to profit or loss for the year *(Note 25)*	**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.

9. INCOME TAX EXPENSE (Continued)

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 RMB'000	2022 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

10. DIVIDEND

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

11. 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

11. EARNINGS PER SHARE (Continued)

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 (as detailed in note 27 (iii)) 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).

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' emoluments during the year ended 31 December 2023 and 2022 are as follows:

	Fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Pension costs, housing funds, medical insurances and other social insurances RMB'000	Total RMB'000
Year ended 31 December 2023					
Executive Directors					
Mr. Chen Jicheng	77	260	44	15	396
Ms. Wang Shujin	54	224	38	15	331
Mr. Zhang Bei	51	185	32	15	283
Ms. Xue Yuchun	51	180	45	15	291
Independent non-executive directors					
Dr. He Weifeng	15	–	–	–	15
Mr. How Sze Ming	26	–	–	–	26
Mr. Li Guangdou	15	–	–	–	15
Mr. Peng Litang	15	–	–	–	15
	304	849	159	60	1,372

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

	Fee RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Pension costs, housing funds, medical insurances and other social insurances RMB'000	Total RMB'000
Year ended 31 December 2022					
Executive Directors					
Mr. Chen Jicheng	–	246	40	8	294
Ms. Wang Shujin	–	210	34	8	252
Ms. Xue Yuchun	–	173	28	8	209
Mr. Zhang Bei	–	159	41	8	208
	–	788	143	32	963

Note:

i. The discretionary bonus was determined on a discretionary basis with reference to the Group's operating results, individual's performance and comparable market statistics.

ii. No directors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2023 and 2022. No directors waived or agreed to waive any emoluments during the year ended 31 December 2023 and 2022.

12. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) The five highest paid individuals

The five highest paid individuals of the Group during the years ended 31 December 2023 and 2022 are analysed as follows:

	2023 Number of individuals	2022 Number of individuals
Directors	**4**	4
Non-directors	**1**	1
	5	5

Details of the emoluments of the above non-directors, the highest paid individual during the year ended 31 December 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and bonus	**203**	181
Pension costs, housing funds, medical insurances and other social insurances	**14**	14
	217	195

The number of the highest paid non-directors fell within the following emoluments band:

	2023 Number of individuals	2022 Number of individuals
Nil to HK$1,000,000	**1**	1
	1	1

13. PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Broadcasting equipment RMB'000	Total RMB'000
COST					
At 1 January 2022	6,899	3,702	2,315	–	12,916
Additions	3,660	3,599	1,241	7,351	15,851
At 31 December 2022 and 1 January 2023	10,559	7,301	3,556	7,351	28,767
Additions	–	–	1,233	2,633	3,866
At 31 December 2023	**10,559**	**7,301**	**4,789**	**9,984**	**32,633**
ACCUMULATED DEPRECIATION					
At 1 January 2022	2,644	2,145	1,516	–	6,305
Depreciation	2,531	510	533	930	4,504
At 31 December 2022 and 1 January 2023	5,175	2,655	2,049	930	10,809
Depreciation	1,892	694	651	1,605	4,842
At 31 December 2023	**7,067**	**3,349**	**2,700**	**2,535**	**15,651**
NET BOOK VALUE					
At 31 December 2023	**3,492**	**3,952**	**2,089**	**7,449**	**16,982**
At 31 December 2022	5,384	4,646	1,507	6,421	17,958

At 31 December 2023 and 2022, no plant and equipment was pledged.

14. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
At 1 January 2022	3,010
Depreciation charge	(1,206)
At 31 December 2022 and 1 January 2023	1,804
Effect of lease modification	2,412
Depreciation charge	(833)
At 31 December 2023	**3,383**

15. INTANGIBLE ASSETS

	Mobile application RMB'000
Cost	
At 1 January 2022, 31 December 2022 and 1 January 2023	5,824
Additions	–
At 31 December 2023	**5,824**
Accumulated amortisation	
At 1 January 2022	1,090
Amortisation	1,165
At 31 December 2022 and 1 January 2023	2,255
Amortisation	1,165
At 31 December 2023	**3,420**
Net Book Value	
At 31 December 2023	**2,404**
At 31 December 2022	3,569

16. LEASE LIABILITIES

	Leased properties RMB'000
At 1 January 2022	4,506
Accretion of interest recognised during the year	176
Lease payments	(1,842)
At 31 December 2022 and 1 January 2023	2,840
Effect of lease modification	2,412
Accretion of interest recognised during the year	254
Lease payments	(310)
Refund of lease payments	2,581
At 31 December 2023	**7,777**

Future lease payments are due as follows:

	As at 31 December 2023		
	Future lease payments RMB'000	**Interest RMB'000**	**Present value RMB'000**
Not later than one year	**1,471**	**322**	**1,149**
Later than one year and not later than two years	**1,547**	**267**	**1,280**
Later than two years and not later than five years	**5,803**	**455**	**5,348**
	8,821	**1,044**	**7,777**

The present value of future lease payments are analysed as:

	As at 31 December 2022		
	Future lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	1,935	91	1,844
Later than one year and not later than two years	1,006	10	996
	2,941	101	2,840

16. LEASE LIABILITIES (Continued)

	2023 RMB'000	2022 RMB'000
Current liabilities	**1,149**	1,844
Non-current liabilities	**6,628**	996
	7,777	2,840

The leases comprise only fixed lease payments over the lease term. Extension and/or termination options are included in a number of leases across the Group. These are included to provide the operational flexibility to align its need. Because the Group is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

17. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Contract assets arising from:		
– Providing services	**1,075**	2,503
Less: allowance for impairment loss on contract assets	**(67)**	(184)
	1,008	2,319

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Revenue earned from the services is initially recognised as contract asset 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. All of the contract assets are expected to be recovered within one year.

Further details on the Group's credit policy and credit risk analysis on contract assets set out in note 33(b).

18. TRADE RECEIVABLES

	2023 RMB'000	2022 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 RMB'000	2022 RMB'000
Not past due	**227,939**	102,554
Within 90 days	**15,372**	48
91–180 days	**–**	–
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 RMB'000	2022 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

Further details on the Group's credit policy and credit risk analysis on trade receivables are set out in note 33(b).

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Deposits and other receivables	1,057	433
Deposits paid on behalf of customers	530	6,014
Deposits to supplier	5,992	9,409
Less: allowance for impairment loss on deposit and other receivables	(495)	(904)
	7,084	14,952
VAT receivables	–	41
Prepayments for an intangible asset	37,432	9,000
Prepayments for equipment	8,000	–
Other prepayments	133	5,593
Amount classified under current assets	52,649	29,596
Less: prepayments classified under non-current assets	(45,432)	(9,000)
Amount classified under current assets	7,217	20,586

Further details on the Group's credit policy and credit risk analysis on deposits and other receivables are set out in note 33(b).

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balance with banks. RMB is not freely convertible to other currencies as such amounts were held by the subsidiaries located in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies only through banks that are authorised to conduct foreign exchange business.

Cash and cash equivalents that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2023 RMB'000	2022 RMB'000
Hong Kong dollars ("**HK$**")	70,704	–
United States dollars ("**US$**")	338	–

21. AMOUNTS DUE FROM SHAREHOLDERS

Particulars of the amounts due from shareholders:

	2023 RMB'000	2022 RMB'000
Amounts due from shareholders:		
Chen Jicheng	–	248
Nie Xing	–	19
Wang Shujin	–	21
Hu Youyi	–	16
Xue Yuchun	–	3
	–	307
Maximum balance outstanding:		
– During the year ended 31 December		
Chen Jicheng	248	248
Zhao Yulu	–	2,000
Nie Xing	19	19
Wang Shujin	21	21
Hu Youyi	16	16
Xue Yuchun	3	3

The amounts due from shareholders are non-trade in nature, unsecured, interest-free and repayable on demand.

Further details on the Group's credit policy and credit risk analysis on amounts due from shareholders are set out in note 33(b).

22. TRADE PAYABLES

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

	2023 RMB'000	2022 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

23. ACCRUALS AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Accruals and other payables	**1,615**	3,676
Other tax payables	**1,752**	66
Salaries payables	**4,453**	3,464
	7,820	7,206

24. BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank and other loans–guaranteed *(Note i)*	**108,940**	25,037
Bank loans–secured and guaranteed *(Note ii)*	**10,000**	9,000
Bank loans–unsecured and unguaranteed *(Note iii)*	**–**	3,906
	118,940	37,943

	2023 RMB'000	2022 RMB'000
Carrying amounts repayable (based on the scheduled repayment dates set out in loan agreements):		
– Within 1 year	**107,950**	37,224
– More than 1 year, but not exceeding 2 years	**10,990**	719
	118,940	37,943
Less: Portion due on demand or within one year under current liabilities	**(107,950)**	(37,224)
Portion due over one year under non-current liabilities	**10,990**	719

24. BORROWINGS (Continued)

Note:

(i) On 22 February 2022, a loan amounted to RMB2,000,000 was borrowed from Citic Bank and bore interest charges at 5.50% per annum. The loan was guaranteed by a Controlling Shareholder of the Group. The loan was fully repaid by the Group on 31 March 2023.

On 29 April 2022, a loan amounted to RMB3,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.50% per annum. The loan was fully repaid on 30 April 2023. The loan was guaranteed by a Controlling Shareholder of the Group.

On 1 June 2022, a loan amounted to RMB1,000,700 was borrowed from WeBank Co., Ltd. and bore interest charges at 12.96% per annum, with total of twenty-four equal instalments of RMB41,695.83 each and eight equal instalments were repaid on 25 June 2022, 25 July 2022, 25 August 2022, 25 September 2022, 25 October 2022, 25 November 2022, 25 December 2022 and 25 January 2023 respectively and the remaining balance of RMB672,176.89 was fully repaid on 15 February 2023. The loan was guaranteed by a Controlling Shareholder.

On 28 September 2022, a loan amounted to RMB3,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 5.15% per annum. The loan was guaranteed by a guarantee company and a Controlling Shareholder. The Group has fully repaid the capital and interests, amounted to RMB3,155,158 on 30 September 2023.

On 28 December 2022, a loan amounted to RMB2,500,000 was borrowed from China Merchants Bank Co., Ltd. and bore interest charges at 4.35% per annum. The loan was fully repaid on 31 March 2023. The loan was guaranteed by a Controlling Shareholder

On 31 December 2022, a loan amounted to RMB2,000,000 was borrowed from Agricultural Bank of China and bore interest charges at 4.00% per annum. The loan was fully repaid on 31 December 2023. The loan was guaranteed by a guarantee company and a Controlling Shareholder.

On 12 January 2023, a loan amounted to RMB4,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.65% per annum. The loan was guaranteed by a Controlling Shareholder. The Group has fully repaid the capital and interests, amounted to RMB4,131,750 on 30 September 2023.

On 21 March 2023, a loan amounted to RMB5,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.50% per annum. The loan was guaranteed by a Controlling Shareholder and a subsidiary of the Group.

On 19 April 2023, a loan amounted to RMB6,000,000 was borrowed from China Merchants Bank Co., Ltd. and bore interest charges at 4.35% per annum. The loan was guaranteed by a Controlling Shareholder. The loan was fully repaid by the company on 31 October 2023.

On 26 April 2023, a loan amounted to RMB2,950,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.65% per annum. The loan was guaranteed by a Controlling Shareholder.

24. BORROWINGS (Continued)

Note (Continued):

(i) (Continued)

On 31 August 2023, a loan amounted to RMB4,000,000 was borrowed from China Merchants Bank Co., Ltd and bore interest charges at 4.00% per annum. The loan was guaranteed by a Controlling Shareholder.

On 4 September 2023, a loan amounted to RMB10,000,000 was borrowed from China Merchants Bank Co., Ltd and bore interest charges at 4.00% per annum. The loan was guaranteed by a Controlling Shareholder.

On 27 September 2023, a loan amounted to RMB7,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.20% per annum, of which RMB10,000 of the loan was repaid on 31 December 2023. The loan was guaranteed by a Controlling Shareholder.

On 18 October 2023, a loan amounted to RMB6,000,000 was borrowed from China Merchants Bank Co., Ltd and bore interest charges at 4.00% per annum. The loan was guaranteed by a Controlling Shareholder.

On 19 October 2023, a loan amounted to RMB10,000,000 was borrowed from China Merchants Bank Co., Ltd and bore interest charges at 3.85% per annum. The loan was guaranteed by a Controlling Shareholder.

On 25 October 2023, a loan amounted to RMB30,000,000 was borrowed from Wuhan SPD Bank and bore interest charges at 3.60% per annum. The loan was guaranteed by a Controlling Shareholder and a subsidiary of the Group.

On 9 November 2023, a loan amounted to RMB4,000,000 was borrowed from Wuhan Rural Commercial Bank and bore interest charges at 4.90% per annum, with total of twenty-five instalments. The first two instalments of interests RMB6,533.33 and RMB16,333.33 were repaid on 20 November 2023 and 20 December 2023 respectively, and the remaining balance of interests RMB374,578.44 will be repaid within remaining twenty-three instalments. The capital will be repaid at the last instalment. The loan was guaranteed by a Controlling Shareholder and a guaranteed company.

On 20 December 2023, a loan amounted to RMB20,000,000 was borrowed from China Merchants Bank Co., Ltd and bore interest charges at 3.45% per annum. The loan was guaranteed by a Controlling Shareholder.

On 28 December 2023, a loan amounted to RMB10,000,000 was borrowed from Bank of Communication and bore interest charges at 3.40% per annum. The loan was guaranteed by a Controlling Shareholder and a subsidiary of the Group.

24. BORROWINGS (Continued)

Note (Continued):

(ii) On 1 September 2022, a loan amounted to RMB10,000,000 was borrowed from Hubei Bank Corporation Limited and bore interest charges at 6.40% per annum, of which RMB1,000,000 was repaid on 20 November 2022 and 20 February 2023 respectively. The remaining balance of RMB1,000,000 and RMB7,000,000 were fully repaid on 31 May 2023 and 31 August 2023 respectively. The loan was secured by the equity of the subsidiary owned by the Controlling Company, personal properties owned by a Controlling Shareholder and two related persons and guaranteed by a Controlling Shareholder and subsidiaries of the Group.

On 17 October 2023, a loan amounted to RMB10,000,000 was borrowed from Hubei Bank and bore interest charges at 5.40% per annum. The loan was secured by the equity of the subsidiary owned by the Controlling Company, personal properties owned by a Controlling Shareholder and two related persons and guaranteed by a Controlling Shareholder and subsidiaries of the Group.

(iii) On 9 July 2021, a loan amounted to RMB3,239,000 was borrowed from China Construction Bank Corporation and bore interest charges at 4.05% per annum. The loan was fully repaid on 7 April 2023.

On 2 August 2022, a loan amounted to RMB800,000 was borrowed from Jiangsu Suning Bank Co., Ltd. and bore interest charges at 18.00% per annum, with total of twenty-four equal instalments of RMB33,333.33 each and four equal instalments were repaid on 15 September 2022, 16 October 2022, 15 November 2022, 15 December 2022 and 15 January 2023 respectively and the remaining balance of RMB633,333.35 was repaid on 15 February 2023.

(iv) The weighted-average effective interest rate of the borrowings is 4.01% and 5.26% as at 31 December 2023 and 2022 respectively.

(v) As at 31 December 2023 and 2022, banking facilities of the Group totalling RM121.0 million and RMB46.0 million respectively. They were utilised to the extent of RMB119.0 million and RMB39.7 million respectively.

(vi) Certain bank loan facilities of the Group are subject to the fulfilment of certain covenants on asset-liability ratios of the relevant group entities, as are commonly found in lending arrangements with financial institutions. If the relevant group entities were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). As at 31 December 2023, none of the covenants relating to drawn down facilities had been breached (2022: RMB nil).

25. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements during the year ended 31 December 2022 and 2023 is as follows:

Deferred tax assets

	Lease liabilities RMB'000	Impairment loss on financial and contract assets RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2022	685	507	387	1,579
(Charged)/Credited to profit or loss for the year	(234)	877	(304)	339
At 31 December 2022 and 1 January 2023	451	1,384	83	1,918
(Charged)/Credited to profit or loss for the year	716	1,129	(14)	1,831
At 31 December 2023	**1,167**	**2,513**	**69**	**3,749**

Deferred tax liabilities

	Right-of-use assets RMB'000	Withholding tax of undistributed profits RMB'000	Total RMB'000
At 1 January 2022	448	2,742	3,190
Charged to profit or loss for the year	(179)	1,667	1,488
At 31 December 2022 and 1 January 2023	269	4,409	4,678
Charged to profit or loss for the year	238	2,808	3,046
At 31 December 2023	**507**	**7,217**	**7,724**

25. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2023 and 2022, the Group had unused tax losses of approximately RMB1,324,000 and RMB1,615,000 respectively, available to offset against future profit. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**3,242**	1,649
Deferred tax liabilities	**(7,217)**	(4,409)
	(3,975)	(2,760)

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	14,189	4,506	18,695
Changes from financing cash flows:			
Proceeds from borrowings	37,990	–	37,990
Repayment of borrowings	(14,236)	–	(14,236)
Payment of loan interests	(1,281)	–	(1,281)
Lease payments	–	(1,842)	(1,842)
	22,473	(1,842)	20,631
Other changes:			
Interest expenses	1,281	176	1,457
At 31 December 2022 and 1 January 2023	37,943	2,840	40,783
Changes from financing cash flows:			
Proceeds from borrowings	**128,950**	**–**	**128,950**
Repayment of borrowings	**(47,953)**	**–**	**(47,953)**
Payment of loan interests	**(2,017)**	**–**	**(2,017)**
Lease payment	**–**	**(310)**	**(310)**
Refund of lease payments	**–**	**2,581**	**2,581**
	78,980	**2,271**	**81,251**
Other changes:			
Interest expenses	**2,017**	**254**	**2,271**
Effect of lease modification	**–**	**2,412**	**2,412**
At 31 December 2023	**118,940**	**7,777**	**126,717**

27. SHARE CAPITAL AND RESERVES

(a) Share capital

	Number	Amount US$'000	Amount RMB'000
Authorised			
Ordinary shares of US$0.05 each			
At 1 January 2022, 31 December 2022 and 1 January 2023	1,000,000	50	322
Increase in authorised share capital *(Note(ii))*	999,000,000	49,950	358,533
At 31 December 2023	**1,000,000,000**	**50,000**	**358,855**
Issued and fully paid			
Ordinary shares of US$0.05 each			
At 1 January 2022, 31 December 2022 and 1 January 2023	1,000,000	50	322
Issue of shares upon listing *(note(iii))*	125,000,000	6,250	44,857
Issue of shares under Capitalisation issue *(note(iii))*	644,650,000	32,233	231,336
At 31 December 2023	**770,650,000**	**38,533**	**276,515**

Notes

(i) The Company was incorporated in the Cayman Islands on 18 February 2021 as an exempted company with limited liability, with authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. On 7 June 2021, the issued shares of US$1.00 each in the share capital of the Company were subdivided into 20 ordinary shares of US$0.05 each, such that the authorised share capital of the Company be subdivided from US$50,000.00 divided into 50,000 ordinary shares of US$1.00 each to US$50,000.00 divided into 1,000,000 ordinary shares of US$0.05 each.

(ii) On 9 October 2023, an ordinary resolution of the Company was passed, pursuant to which the authorised share capital of the Company was increased from RMB322,000 (equivalent to approximately US$50,000) to RMB358,855,000 (equivalent to approximately US$50,000,000) by the creation of additional 999,000,000 shares of US$0.05 each.

(iii) In connection with the Company's issue of new shares upon listing, the Company allotted and issued 125,000,000 shares of US$0.05 each at a price of HK$1.04 per share on 10 November 2023. The gross proceeds from issuance of new shares of approximately RMB119,556,000 (equivalent to approximately US$16,658,000) of which approximately RMB44,857,000 (equivalent to approximately US$6,250,000) was credited to the Company's share capital, and the remaining balance of approximately RMB74,699,000 (equivalent to approximately US$10,408,000) before deduction of share issuance expenses, was credited to capital reserves account. The capital reserves can be used for deduction of share issuance expenses. After the capital reserves of reserves account of the Company being credited as a result of the issue of new shares upon Listing, RMB231,336,000 (equivalent to approximately US$32,233,000) was capitalised from the capital reserves and applied in paying up in full at par 644,650,000 new shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 10 November 2023 in proportion to their respective shareholdings ("**Capitalisation Issue**").

27. SHARE CAPITAL AND RESERVES (Continued)

(b) Reserves

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 115 of this report.

The Company

	Capital reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2022, 31 December 2022 and 1 January 2023	965	–	965
Loss for the year	–	(16,645)	(16,645)
Issue of shares upon listing	74,699	–	74,699
Issue of shares under capitalisation issue	(231,336)	–	(231,336)
Expenses attributed to issue of new shares upon listing	(16,058)	–	(16,058)
Balance at 31 December 2023	**(171,730)**	**(16,645)**	**(188,375)**

Capital reserves represented the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries upon completion of the Reorganisation; and the excess of the proceeds received over the nominal value of shares of the Company issued, less expense incurred in connection with the issue.

Statutory reserves represented the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China ("**PRC**") (based on the subsidiaries' PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

28. RELATED PARTIES TRANSACTIONS

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 11 respectively.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

The Group monitors capital using the debt/asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at 31 December 2023 and 2022 were as follows:

	2023 **RMB'000**	2022 RMB'000
Total assets	**494,002**	162,668
Total liabilities	**231,393**	68,540
Debt/asset ratio	**46.8%**	42.1%

30. CAPITAL COMMITMENTS

As at 31 December 2023 and 2022, capital commitments not provided for in the consolidated financial statements were as follows:

	2023 **RMB'000**	2022 RMB'000
Capital expenditure of the Group contracted for but not provided in respect of:		
– acquisition of intangible assets	**49,196**	11,000
– acquisition of equipment	**12,000**	–

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		–*	–*
Amount due from a subsidiary		55,524	–
		55,524	–*
Current assets			
Amount due from shareholders		–	307
Amount due from a subsidiary		–	980
Cash and cash equivalents		35,700	–
		35,700	1,287
Current liabilities			
Accruals		627	–
Amount due to a subsidiary		2,456	–*
		3,083	–*
Net current assets		32,617	1,287
Net assets		88,140	1,287
EQUITY			
Capital and reserves			
Share capital	27	276,515	322
Reserves	27	(188,375)	965
Total equity		88,140	1,287

* The amount is less than RMB1,000

On behalf of the board of directors

Chen Jicheng
Director

Xue Yuchun
Director

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	**250,395**	117,554
Amount due from shareholders	**–**	307
Cash and cash equivalents	**171,023**	2,874
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**84,899**	7,908
Accruals and other payables	**6,068**	7,140
Lease liabilities	**7,777**	2,840
Borrowings	**118,940**	37,943

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk, liquidity risk and currency risk.

Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks in timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

(a) Interest rate risk

The Group's fair value interest-rate risk mainly arises from borrowings and lease liabilities as disclosed in note 24 and note 16. Borrowings and lease liabilities were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's borrowings and lease liabilities are disclosed in note 24 and note 16.

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its contract assets, trade receivables, other receivables, cash deposits at banks, and amount due from shareholders. The carrying amounts of these assets represent the Group's maximum exposure to credit risk.

Cash deposits with banks are normally placed at financial institutions that have sound credit rating and the Group considers the credit risk to be insignificant. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In order to minimise the credit risk, the Group adopts prudent credit control procedures, regularly monitor settlement of trade and other receivables and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. The credit period granted to customers and other debtors are generally determined with reference to, among others, the financial position, credit record, duration of business relationship and where applicable, the types of services the Group provide. Credit and payment terms may vary for different customers, debtors and projects.

As at 31 December 2023 and 2022, the Group had certain concentrations of credit risk as 12.4% and 30.0%, of the Group's trade receivables were due from the Group's largest customer respectively, and 35.8% and 34.6%, of the Group's trade receivables were due from the Group's five largest customers respectively. In order to minimise the credit risk, the Group continuously monitor the level of exposure by frequent review of credit quality of customers to ensure that prompt actions will be taken to lower the exposure.

As at 31 December 2023 and 2022, the Group applies the simplified approach to provide for expected losses on contract assets and trade receivables as prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision. The Group applies the general approach to provide for expected credit losses on other financial assets as prescribed by HKFRS 9, which was measured either as 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

(i) Contract assets

As at 31 December 2023 and 2022, the loss allowance provision for contract assets was determined as follows. The expected credit losses below also incorporated forward looking information.

	2023	2022
Expected loss rate	6.2%	7.4%
Gross carrying amount (RMB'000)		
– Not past due	1,075	2,503
Loss allowance provision (RMB'000)	67	184

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables

As at 31 December 2023 and 2022, the loss allowance provision for trade receivables and rebates from Media Partner was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables

	Not past due	Within 90 days	91 to 180 days	181 to 365 days	Over 1 year	Total
At 31 December 2023						
Expected loss rate	**6.2%**	**6.2%**	**100.0%**	**100.0%**	**100.0%**	
Gross carrying amount (RMB'000)	**235,251**	**16,388**	**356**	**18**	**55**	**252,068**
Loss allowance provision (RMB'000)	**14,582**	**1,016**	**356**	**18**	**55**	**16,027**
At 31 December 2022						
Expected loss rate	7.5%	7.7%	–	–	–	–
Gross carrying amount (RMB'000)	105,232	52	–	–	–	105,284
Loss allowance provision (RMB'000)	7,902	4	–	–	–	7,906

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables (Continued)

Rebates from Media Partner

	Not past due	Within 90 days	91 to 180 days	181 to 365 days	Over 1 year	Total
At 31 December 2023						
Expected loss rate	**1.2%**	–	–	–	–	
Gross carrying amount (RMB'000)	**7,358**	–	–	–	–	**7,358**
Loss allowance provision (RMB'000)	**88**	–	–	–	–	**88**
At 31 December 2022						
Expected loss rate	4.5%	–	–	–	–	
Gross carrying amount (RMB'000)	5,472	–	–	–	–	5,472
Loss allowance provision (RMB'000)	248	–	–	–	–	248

Expected loss rate are based on actual loss experience over the past 3 years. These rates are adjusted to reflected differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(iii) Deposit and other receivables

As at 31 December 2023 and 2022, the loss allowance provision for deposits and other receivables was determined as follows. The expected credit losses below also incorporated forward looking information.

	2023	2022
Expected loss rate	**6.5%**	5.7%
Gross carrying amount (RMB'000)	**7,579**	15,856
Loss allowance provision (RMB'000)	**495**	904

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the differences between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(iv) Other financial assets at amortised cost

Cash and cash equivalents is subjected to the impairment requirements of HKFRS 9. The identified impairment loss was immaterial since they are placed at financial institutions with good credit rating.

For amounts due from shareholders which are considered to have low credit risk, the measurement of loss allowance was therefore based on 12 months ECLs. Management considered as low credit risk since they have a low risk of default. No impairment loss is recognised during the year ended 31 December 2022.

The following tables show reconciliation of loss allowances that has been recognised for contract assets applying simplified approach.

	Lifetime expected credit losses RMB'000	Total RMB'000
At 1 January 2022	17	17
Impairment losses recognised, net	167	167
At 31 December 2022 and 1 January 2023	184	184
Reversal of provision during the year	(117)	(117)
At 31 December 2023	**67**	**67**

The following table shows the movement in lifetime expected credit losses that has been recognised for trade receivables applying simplified approach.

	Lifetime expected credit losses RMB'000	Total RMB'000
At 1 January 2022	3,161	3,161
Impairment losses recognised, net	4,993	4,993
At 31 December 2022 and 1 January 2023	8,154	8,154
Impairment losses recognised, net	7,961	7,961
At 31 December 2023	**16,115**	**16,115**

33. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

(iv) Other financial assets at amortised cost (Continued)

The following tables shows reconciliation of loss allowances that has been recognised for deposits and other receivables.

	Stage 1 12-month expected credit losses RMB'000	Stage 2 Lifetime expected credit losses – not credit impaired RMB'000	Stage 3 Lifetime expected credit losses – credit-impaired RMB'000	Total RMB'000
At 1 January 2022	129	–	–	129
– Impairment losses recognised, net	775	–	–	775
At 31 December 2022 and 1 January 2023	904	–	–	904
– Reversal of provision during the year	(409)	–	–	(409)
At 31 December 2023	**495**	**–**	**–**	**495**

As at 31 December 2023 and 2022, the total gross carrying amount of contract assets, trade receivables, other receivables and amount due from shareholders was RMB268,080,000 and RMB129,422,000 respectively, thus the maximum exposure to loss was RMB251,403,000 and RMB120,180,000 respectively.

33. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities as well as regularly monitors compliance with lending covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	Within one year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2023						
Trade payables	**84,899**	**84,899**	**84,899**	**–**	**–**	**–**
Accruals and other payables	**6,068**	**6,068**	**6,068**	**–**	**–**	**–**
Borrowings	**118,940**	**122,149**	**110,755**	**11,394**	**–**	**–**
	209,907	**213,116**	**201,722**	**11,394**	**–**	**–**
As at 31 December 2022						
Trade payables	7,908	7,908	7,908	–	–	–
Accruals and other payables	7,140	7,140	6,935	205	–	–
Borrowings	37,943	39,019	38,268	751	–	–
	52,991	54,067	53,111	956	–	–

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

33. FINANCIAL RISK MANAGEMENT (Continued)

(d) Currency risk

The Group's businesses are principally conducted in RMB, except that receipts of proceeds from listing on the Main Board of the Stock Exchange and accrued listing expense are in other currency. As at 31 December 2023, major non-RMB assets are cash and cash equivalents of RMB70,704,000 (2022: RMB nil) and RMB338,000 (2022: RMB nil) denominated in HK$ and US$ respectively. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations.

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	2023 **RMB'000**	2022 RMB'000
5% increase in RMB against HK$	**3,535**	–
5% decrease in RMB against HK$	**(3,535)**	–
5% increase in RMB against US$	**17**	–
5% decrease in RMB against US$	**(17)**	–

34. FAIR VALUE MEASUREMENT

Financial instruments not measured at fair value

Financial instruments not measured at fair value mainly include deposits and bank balances, trade receivables, deposits and other receivables, trade payables, accruals and other payables and borrowings.

Due to their short term nature, the carrying values of these financial instruments approximates fair values. The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2023 and 2022.

35. SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	At the date of this report	Principal activities and place of operation
Huashi International Group Limited (華視國際集團有限公司) ("**Huashi International**") *(Note c)*	24 February 2021, British Virgin Island	US dollars ("**USD**") 1	100%	Investment holding
Huashi Group Limited (華視傳媒集團有限公司) ("**Huashi HK**") *(Note d)*	16 March 2021, Hong Kong	HK dollars ("**HKD**") 50,000	100%	Investment holding
Huashi Zhongguang Brand Management (Hubei) Co., Ltd (華視中廣品牌管理(湖北)有限公司) ("**Huashi Brand Management**") *(Note d, e, g)*	7 April 2021, PRC	RMB5,000,000	100%	Investment holding
Huashi Zhongguang International Media (Wuhan) Company Limited (華視中廣國際傳媒(武漢)有限責任公司) ("**Huashi Media**") *(Note d, f)*	23 February 2011, PRC	RMB21,750,000	100%	Provision of branding, advertising and marketing service in PRC
Dabieshan Cultural Industry Development (Macheng) Co., Ltd (大別山文化產業發展(麻城)有限公司) ("**Dabieshan Culture**") *(Note d, f)*	7 April 2017, PRC	RMB5,000,000	100%	Provision of branding, advertising and marketing service in PRC
Huashi Chuangxiang Culture Media (Hubei) Co., Ltd. (華視創享文化傳媒(湖北)有限公司) ("**Huashi Chuangxiang**") *(Note d, f)*	26 December 2012, PRC	RMB5,000,000	100%	Provision of branding, advertising and marketing service in PRC

Note:

(a) The English names of all subsidiaries established in the PRC are translated for identification purpose only.

(b) All companies comprising the Group have adopted 31 December as their financial year end date.

(c) The equity interest is directly held by the Company at the date of this report.

(d) The equity interest are indirectly held by the Company at the date of this report.

(e) The entity is established in the PRC in the form of wholly foreign-owned enterprise.

(f) The entities are established in the PRC in the form of domestic limited liability company.

(g) The entity is established in the PRC in the form of domestic limited liability company. Pursuant to the Group Reorganisation, the entity became a sino-foreign owned enterprise on 25 March 2021.

36. EVENTS AFTER THE END OF REPORTING PERIOD

The Group has no significant events took place after reporting period that needs to be disclosed.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Board of Directors on 27 March 2024.

DEFINITIONS

"Articles" or "Articles of Association"	the articles of association of our Company (as amended, supplemented or otherwise modified from time to time)
"Auditor" or "auditor"	BDO Limited, the auditor of the Company
"Board"	our board of Directors
"Chairman"	Mr. Chen Jicheng (陳繼承先生), our chairman of the Board
"Chief Executive Officer"	has the meaning ascribed to it under the Listing Rules
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company" or "our Company"	Huashi Group Holdings Limited (华视集团控股有限公司)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and refer to Mr. Chen Jicheng and JiaYi Culture
"Corporate Governance Code"	the provisions set out under "Corporate Governance Code" in Appendix C1 to the Listing Rules
"Dabieshan Culture"	Dabieshan Culture Industry Development (Macheng) Co., Ltd. (大別山文化產業發展(麻城)有限公司), a company established in the PRC with limited liability on 7 April 2017 and an indirect wholly-owned subsidiary of our Company
"Deed of Non-competition"	the deed of non-competition executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries)
"Director(s)"	the director(s) of the Company
"FY2022"	For the year ended 31 December 2022
"FY2023"	For the year ended 31 December 2023
"Global Offering"	the Hong Kong Public Offer and the International Placing as defined and set out in the Prospectus
"Group" or "we"	our Company and all of our subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards, as issued by the HKICPA
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Huashi Chuangxiang"	Huashi Chuangxiang Culture Media (Hubei) Co., Ltd. (華視創享文化傳媒(湖北)有限公司), a company established in the PRC with limited liability on 26 December 2012 and an indirect wholly-owned subsidiary of our Company
"Huashi Media"	Huashi Zhongguang International Media (Wuhan) Co., Ltd. (華視中廣國際傳媒(武漢)有限責任公司), a company established in the PRC with limited liability on 23 February 2011 and an indirect wholly-owned subsidiary of our Company
"Independent Third Parties"	persons or companies and their respective ultimate beneficial owners, who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of our Company and our connected persons
"Listing"	the listing of the Shares on the Stock Exchange
"Listing Date"	the date (i.e.10 November 2023) on which the shares of the Company were listed and dealings in the Shares first commenced on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended, supplemented or otherwise modified from time to time)
"OTT"	Over The Top, a media service offered directly to viewers via the internet.
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 31 October 2023
"Reporting Period"	for the yead ended 31 December 2023
"R&D"	research and development
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Share(s)"	ordinary share(s) with nominal value of US$0.05 each in the share capital of our Company
"Share Option Scheme"	the share option scheme adopted by the Company on 9 October 2023
"Shareholder(s)"	holder(s) of the share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)" or "substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"USD" or "US$"	United States dollars, the lawful currency of the United States
"Wuyuan Fujie"	Beijing Wuyuan Fujie International Advertising Co., Ltd. (北京無遠弗屆國際廣告有限公司), a company established in the PRC with limited liability on 5 February 2018 and an indirect wholly-owned subsidiary of our Company
"%"	per cent.