

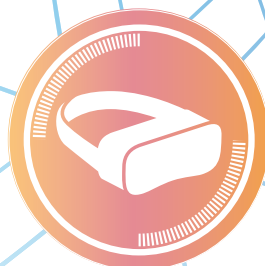
Bright Future Technology Holdings Limited 辉煌明天科技控股有限公司

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code : 1351



ANNUAL REPORT | 2022



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. DONG Hui (*Chairman & Chief Executive Officer*)
Mr. YANG Dengfeng
Ms. GAO Yuqing
Mr. CEN Senhui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Kin Wai
Mr. WEI Hai Yan
Mr. ZHANG Fanchen

AUDIT COMMITTEE

Mr. LIU Kin Wai (*Chairman*)
Mr. WEI Hai Yan
Mr. ZHANG Fanchen

REMUNERATION COMMITTEE

Mr. ZHANG Fanchen (*Chairman*)
Mr. YANG Dengfeng
Mr. LIU Kin Wai

NOMINATION COMMITTEE

Mr. DONG Hui (*Chairman*)
Mr. WEI Hai Yan
Mr. ZHANG Fanchen

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian

AUTHORISED REPRESENTATIVES

Mr. YANG Dengfeng
Mr. TSO Ping Cheong Brian

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN PRC

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Shenzhen, China
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HONG KONG LEGAL ADVISERS

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PRINCIPAL SHARE REGISTRAR

Walkers Corporate Limited
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PricewaterhouseCoopers
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Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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16 Harcourt Road
Hong Kong

PRINCIPAL BANK

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Shenzhen, Guangdong, the PRC

STOCK CODE

1351

COMPANY WEBSITE ADDRESS

www.btomorrow.cn

FINANCIAL PERFORMANCE HIGHLIGHTS

◆ KEY FINANCIAL DATA ◆



Gross revenue

Approximately
RMB760 million

Revenue

Approximately
RMB440 million

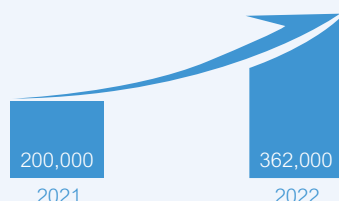
Gross profit

Approximately
RMB33.43 million



Short-video production capacity of Bright Future

Total short-video volume of
Bright Future (clip)



Monthly video
production capacity
approximately
13,500 clips

Total inventory
approximately
362,000 clips

Year-on-year
growth
approximately
81%

◆ INCREASED STICKINESS OF REPEAT CUSTOMERS

Percentage of gross revenue
from repeat customers
71.7%



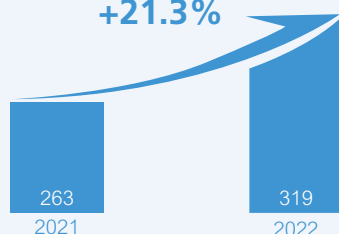
Number of repeat
customers **221**

Year-on-year
growth **48**

Gross revenue
generated **RMB550
million**

◆ DIVERSIFIED CUSTOMER EXPANSION SHOWED ACHIEVEMENTS

Growth in the number of
new customers
+21.3%



Focus on customers with more active market demand
under the new normal of epidemic, such as **local life,**
real-time e-commerce, online services, etc.

Percentage of revenue from
network services **↑ 3.3 percentage
points**

Percentage of revenue from
e-commerce customers **↑ 4.2 percentage
points**

CHAIRMAN'S STATEMENT

Letter to Shareholders

Dear Shareholders,

Having braved unstable economic environment in the past pandemic-stricken years, our once-resilient performance has, however, during the Reporting Period, been marred by macroeconomic headwinds, weak global outlook, COVID flare-ups, curtailed consumer spending and dwindling marketing budgets, the cumulative effect of which is that our results have been inexorably strained despite our sound operational infrastructure, laudable technical expertise and extensive experience partnering with the biggest names in Chinese tech. Yet, notwithstanding such setbacks, we have our sights firmly set on the chance of a rebound in the year of 2023 banking on our belief that recovery would be topping the list of themes lined up for the domestic economy.

2022 PERFORMANCE HIGHLIGHTS

The economy of the year under review was shaped by turbulent trends, with the domestic economy's growth trajectory, in the first half of the year, being challenged by downward pressures as the evolving COVID situation and macroeconomic uncertainties weighed heavily on industry-wide results. The contraction in marketing spend across industry verticals during the Reporting Period has led to cost-cutting drives being spearheaded by Chinese big techs, which included the slashing of jobs and budgets, realigning of expense structures, trimming of operating expenses and exiting from non-core businesses. Thus, with the marketing industry being stunted by the industry-wide shift to a more disciplined approach to spending, our revenue was down to approximately RMB443.5 million, representing a decrease of approximately RMB44.5 million or approximately 9.1% when compared with the same period in 2021. In tandem with the dampened sales and revenue in face of the sluggish demand plaguing the Chinese advertising industry, the Company has yielded gross profit of approximately RMB33.4 million, representing a decrease of approximately RMB64.0 million or approximately 65.7% when compared with the same period in 2021.

Notwithstanding the advertisers' much constrained budgets, they still put forth to marketing solutions providers a greater demand for innovative solutions and value creation, and having to work under the pressures of soaring acquisition costs for advertising inventories and higher customer retention and acquisition costs fuelled by intensified competition. Thus, the year of 2022 saw much integration and upgrading within the once vibrant Chinese marketing industry as players that are ill-adapted to the new playfield were weeded out. Whilst we, amongst those remained, have fittingly optimised our operations and realigned our costs structures, our gross profit has inevitably been held back by, among other things, the overall slowdown of business activities in the PRC spurred on by sporadic COVID-19 outbreaks, the aforementioned higher operating costs, as well as the upping of our spend on identifying and incubating new growth opportunities, as we remain actively on the lookout for emerging innovations that can leapfrog our service delivery, practices, processes and efficiencies.

On par with the aforementioned decrease in revenue and gross profit, the loss attributable to the owners of the Company was widened to approximately RMB22.4 million as compared to approximately RMB17.3 million recorded for the corresponding period in 2021. However, a lower figure of RMB12.0 million, being adjusted net loss for the Reporting Period, was deemed a better indicator to measure our Group's performance as it was arrived at upon eliminating the effects of items that our management considers non-indicative of our operating performance, namely income tax expense and share-based compensation.

CHAIRMAN'S STATEMENT

Notwithstanding setbacks in our results during this exceptionally bumpy ride of a year, we are yet unthwarted and unperturbed by the uncertainties in the market environment, intensified competition and heightened costs plaguing the marketing solutions industry, we have no doubt been paying heed to the growing need for a diversified customer base (especially in light of budget constraints of its existing clients), and have thus been proactively procuring new projects from traditional sectors yearning for transformation and upgrades and those that catered to Z-Generation needs, as well as trying to win over the hearts of advertisers operating in the sinking market. Thus, amidst such turbulent times, our Group has yet managed to land a broader and more diversified client base, with our number of new customers sprang up markedly from 2021's 263 to 2022's 319.

Meanwhile, our unwavering commitment, ever since our inception, to deliver tailored marketing support and content strategies to our customers has paid off as our innovative strengths and service excellence have rewarded us with consumer stickiness. We have fared well in terms of customer retention, with even more customers flocking back for our services during such trying times, bringing up the number of repeat customers from 2021's 173 to a new high of 221 in 2022.

As we continued to take strides in the delivery of more innovative, diverse, adaptive, holistic, and most important, cost-effective solutions, we have persistently pressed on our efforts in pursuit of service excellence in light of the shifting marketing priorities and budget concerns of our clientele. As a result, during the Reporting Period, our impression of advertisements (i.e. the total number of views generated from its advertisements) has reached 71.04 billion. Whilst our monthly video production capacity has slightly fallen behind the output of around 14,000 clips for the corresponding period in 2021, we have still managed to curate around 13,500 clips per month. Our video repository has accumulated a collection of around 362,000 stock videos (up from approximately 200,000 clips accumulated by the end of 2021).

Amidst a financially challenging climate that saw volatility in the marketing industry's performance and operation conditions, our proven ability to leverage expansive data insights, employ solid predictive analytics, utilise cutting-edge technology and harness practical experience of our seasoned advertising optimisers to consistently and timely provide our clients with optimal customised solutions, has landed us awards such as the "Best SaaS Company Award" (最佳SaaS公司獎) at the "2022 Global Investment Trends and the 6th Golden Hong Kong Stock Award Ceremony (2022全球投資趨勢暨第六屆金港股頒獎典禮)". Through continuous reinforcement of cooperation with top media platforms, we have bagged the "Co-Engine – Partner Service Breakthrough Award" (共擎•合作夥伴服務突破獎). Concomitantly, we are named proud winners of the "Co-Engine – Creative Marketing Case Award" (共擎•創意營銷案例獎) by Ocean Engine (巨量引擎) not just once, but twice, for a Z-Generation oriented marketing campaign we designed for a top trendsetting e-commerce platform as well as the spectacular results of our campaign curated for a top virtual fitness APP enterprise to ramp up its paying user rate. We were also the honoured recipient of the "Best TMT Company Award" (最佳TMT公司獎) at the 7th Zhitong Finance Capital Markets Annual Meeting (第七屆智通財經資本市場年會).

In light of the above achievements and our Group's ability to scoop up new and diverse clientele whilst having solidified our existing customer base, we are thus well-poised to seize any rebound opportunities once demand for intelligent marketing solutions pick up.

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK FOR 2023

Whilst it remains to be seen what the upcoming year of 2023 has to offer, with signs of a rebound in consumer demand and economic activities in sight, we are ready to snatch up any business opportunities that come our way.

On the technological front, with metaverse and other emerging innovations continued to shape the marketing landscape and transform the competitive playfield, we deem it essential to strive to stay on the innovative forefront. We have been keeping our innovative engines running, from hopping on the metaverse bandwagon early on and experimenting with AR and VR integration possibilities, to our upcoming plans to deploy AI tools in our operations and our attempts of infusing AI into our existing technological infrastructure. Notwithstanding our optimised costs structure, we have been able to forge progress in our innovative products (such as our SaaS) and services development (including that of our social media strategies) as most of the groundwork has been firmly laid with all potential functions planned and ready to be unlocked and refined further.

On another note, whilst we are striving to deliver on our commitment to strong campaign performance, we will be leaning more on AI technologies and automated processes to enhance the value and productivity of our “Intelligent Marketing Services” tools and processes, so as to sharpen our data-driven analytical prowess and precise audience targeting strategies.

Leveraging our solid technological infrastructure, rich operation experiences and keen strategic foresights, we are confident in our ability to realise our future plans in the development and application of AI technology, and also the further optimisation of, and refinements to operational efficiencies, etc. We remain hopeful that our continuous efforts to evolve, revamp and recalibrate our service offerings, technical processes, and strategic focus would once again help us ride out the waves of any volatile business environment, and thereby land us firmly on a trail of growth in the year to come.

APPRECIATION

On behalf of the Board, I would like to express our heartfelt gratitude to our valued shareholders, customers, suppliers and business partners for their continuous trust, support and confidence in our work amidst a particularly challenging year. Last, but certainly not least, I would like to acknowledge and extend our sincerest appreciation to our management team for their collective insight which proved invaluable during such trying times, and our employees for their hard work and dedication in supporting the Group's operations.

Dong Hui

Chairman of the Board and Chief Executive Officer

30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC OVERVIEW

2022 was nothing short of a rollercoaster ride for the global economy, and China was no exception.

Against the backdrop of the pandemic-induced global economic downturn, at the beginning of the year, the PRC government has further optimised its supervision over its internet economy. Such optimisation works in favour of the sustained and healthy development of the platform economy (one that relies on network infrastructure and leverages digital technologies such as artificial intelligence, big data, and blockchain to match transactions, transmit information, and manage processes) and the private sector.

Yet, with the nation being on a bumpy ride with COVID, the year of 2022 saw the rebound of the PRC economy being marred by weak consumption. With consumer spending taking a more cautious course, even the most-awaited annual shopping bonanza, the “Double 11”, was eclipsed by the same from predecessor-years.

Against this backdrop, and aided by the diminished potency of the virus, the Chinese government has opted for optimisation of its prevention and control measures in order to strike a balance between epidemic prevention and control and economic and social development. The move has managed to shore up market confidence and has proved a much welcome boost to domestic consumption. It is hoped that growth will pick up pace in 2023 once the pent-up demand of the Chinese consumers is fully unleashed.

MARKET REVIEW

The PRC advertising market has been through a volatile year. Since the second quarter, the online advertising market has taken a huge blow from slashed advertising budgets and the downsizing of e-commerce and streaming platforms as their digital advertising revenue tumbled whilst compliance costs to regulatory changes are still weighing on the market. With e-commerce advertising being particularly prone to the adverse impacts of COVID, namely halts in consumer spending and logistic snarls, many advertisers opted for a more conservative approach by having their budgets delayed or put on hold in face of economic headwinds. Albeit the Chinese economy has shown signs of recovery early on in the second quarter, the advertising market has been slow to follow suit, with the downward trend only coming to a halt in July. Growth has since picked up pace, starting from the months of August to November, and peaking in October, only to be dragged again in the months nearing the end of the trying year of 2022.

As contraction in advertising spend continued to plague the Chinese marketing industry, with competition intensified amongst its players, the possession of capabilities to proffer innovative solutions and attain value creation amidst a tight budget on advertising spend is key to customer acquisition and retention. To this end, the Group would continue to deliver on its commitment to strong campaign performance by leveraging its AI technologies and automated processes to enhance the value and productivity of its advertising tools.

Meanwhile, it is worth noting that whilst a drop is observed in daily consumption of content such as online videos, general news, online stores and online reading as compared to the corresponding period in 2021, there is a slight increase in the viewing of short-videos and the use of instant messaging and mobile games. It is thus apparent that Chinese internet users’ preference in online content is undergoing a drastic change.

In line with the shift in preference in online media consumption, the domination of the short-video format in the Chinese digital marketing arena is there to stay as the easily digestible seconds- to minutes-long videos are ideal for capturing audience preference and occupying their time spent online.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

As COVID slowdown bites, growth of the advertising industry was inevitably stunted by the industry-wide shift to a more disciplined approach to spending and investment as led by big techs and advertising/streaming platforms alike. The industry is going through integration and upgrading as players that are ill-adapted to such new playfield were weeded out and those remained having fittingly optimised their operations and realigned their costs structures in line with the trends and developments. Against the backdrop of COVID restrictions and the paradigm shift in consumer's palette in favour of online advertising content, market players that have yet to go digital have hastened their move into the digital arena, which inevitably intensified the competition for advertising inventories, thereby ramping up the advertising traffic costs.

Yet, analysts projected that with China increasing its pace of opening-up and further unleashing the demand that was once relatively suppressed, the advertising industry is set on a solid rebound track and is poised for growth in the coming year; yet due to the post-cyclical nature of the advertising industry, the upward trajectory is expected to lag behind the macro, with advertisers generally being more conservative and would refrain from splurging on marketing campaigns until easing into much later stages of recovery. In the meantime, the Group will closely monitor the fluid market and pandemic situation and make timely adjustments to its strategies and operations to align with and adapt to the changing marketplace.

BUSINESS REVIEW

The Group has, since its inception, devoted much effort in providing high impact, holistic marketing services that optimally serve its customers' needs, from strategic marketing planning, advertisement production and placement to post-publication monitoring.

Throughout the past COVID-stricken years, the Group has demonstrated much resilience, persevering by banking on its technological edge in delivery of comprehensive intelligent marketing solutions and the wide array of innovative, customised yet cost-effective options and complementary services it has on offer. Yet the year of 2022 poses unique and unprecedented challenges to the Group's operations and the market as a whole, with mounting downward pressures weighing heavily on the Chinese economy's growth trajectory as it grappled with weak global demand, as well as dented demand and shrinking supply-chain on the domestic front. The pressures of trying to reel in customers amidst slashed advertising budgets, working with more cost-conscious clients, whilst striving to thrive in a competitive playfield with inflated costs of advertising inventories looming over, has taken a toll on the Group's performance in the particularly trying year of 2022.

The effects of the pandemic induced slowdown in 2022 was acutely felt even by China's fast-growing and deep pocketed home-grown big techs as they resorted to scaling back costs through jobs and budget slashes. It thus follows that in face of such crippling factors, in particular that of a trimming of media spend across industry verticals, the Group's revenue was crimped to approximately RMB443.5 million, representing a decrease of approximately RMB44.5 million or approximately 9.1% when compared with the same period in 2021. In tandem with the dampened sales and revenue in face of the sluggish demand plaguing the Chinese advertising industry, a gross profit of approximately RMB33.4 million was recorded, representing a decrease of approximately RMB64.0 million or approximately 65.7% when compared with the same period in 2021. The decline in gross profit was due to, among other things, an overall slowdown of business activities in the PRC spurred on by sporadic COVID-19 outbreaks throughout the year, the Group's operating in a more competitive landscape which led to higher acquisition costs for advertising inventories and higher customer retention and acquisition costs, as well as the associated costs of tapping into new growth opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

A loss attributable to the owners of the Company of approximately RMB22.4 million is recorded for the Reporting Period, as compared to a loss of approximately RMB17.3 million for the corresponding period in 2021, mainly due to the decrease in revenue and gross profit.

The Group is expected to record adjusted net loss for the Reporting Period of RMB12.0 million. By eliminating the effects of items that the Group's management considers non-indicative of its operating performance, namely income tax expense and share-based compensation, adjusted net (loss)/profit (albeit a non-HKFRS measure) provides more useful information to investors in facilitating a comparison of the Group's operations from period to period.

The Group's main clientele are, inevitably, not immune to cuts in advertising budgets during such turbulent times. Nonetheless, the Group has achieved an increase in its number of new customers, from 263 in 2021 to 319 in 2022, which bore testimony to the Group's success in reeling in a growing and diverse clientele; whilst the increase in repeat customers from 173 in 2021 to 221 in 2022 also showcases the Group's capability in maintaining its relatively strong customer stickiness. The Group is therefore confident that demand for the Group's holistic tailored solutions from customers would further increase once consumer spending is up and marketing needs arise.

The Group's impression of advertisements (i.e. the total number of views generated from its advertisements) has also reached RMB71.04 billion during the Reporting Period. Albeit the monthly video production capacity has slightly dipped from around 14,000 clips for the corresponding period in 2021 to that of around 13,500 clips during the Reporting Period, the Group has accumulated in its video repository around 362,000 stock videos (up from around 200,000 clips nearing the end of the year 2021).

Despite the setbacks in the Reporting Period, hopes remain high for the years to come, with China to widen its opening-up and the PRC government's supportive stance towards the advertising industry as a whole. The Group, armed with its technological prowess and innovative strength, and having a series of niche products up its sleeve, is still well-poised to seize any growth opportunities shall and when they arise. Having navigated through such challenging times, the Group remains committed to seek out sustainable, cost-effective and feasible solutions to maximise the return for its Shareholders and laying a solid foundation for growth.

Led by a core management team with strong background in technological research and development from working for China's most prominent tech giants, the Group has charted much progress in the development of and eventual implementation of holistic programmatic short-video placement. In line with the Group's aim to redefine marketing with innovative technology, the Group not only sets itself apart from traditional marketing solutions providers, but is also among the only few within the industry having its own proprietary full-service integrated system, which is empowered by its big data and information technology capabilities, backed by its self-developed Data Management Platform ("**DMP**"), complemented by its built-in enterprise resource planning ("**ERP**") and customer relationship management ("**CRM**") functions, and completed by its cloud-based repository system for stock videos and images.

Tailored to address the particular needs of its customers, the Group has spearheaded the "AIPL integrative model" (AIPL 全鏈路模塊), with AIPL being the acronym for "Awareness (認知), Interest (興趣), Purchase (購買) and Loyalty (忠誠)", the key tenets forming the Group's strategic agenda and business model, which also embodies the Group's commitment towards service quality and customer satisfaction. Meanwhile, the Group's focus, ever since its incorporation, has always been on providing its customers with marketing solutions backed by advanced digital analytics. With the Chinese government stepping up its policy support for innovation of platform-based enterprises and its active promotion of the digital economy, the Group's complementary content and technological tools have proved and will be all the more instrumental in assisting its clients' launch of their digital transformation process during such turbulent times and beyond.

MANAGEMENT DISCUSSION AND ANALYSIS

With cost-cutting being all the rage, the Group's strive to optimise its services and user experience for more cost-sensitive clients has edged its operations closer towards full automation, with AI driven processes proliferating its front and back-end systems, the services so rendered are now accorded the apt label of "intelligent marketing solutions" (智慧營銷解決方案).

Competitive strengths and strategies

In light of the enhanced competition and the challenging operating environment ahead, the following measures taken, strategies formulated and plans to be implemented by the Group during the Reporting Period and beyond encapsulate the key areas that will underpin the Group's strategic thrust and define the course of the Group's operations going forward:

Furthering its innovative efforts to ensure technological differentiation with cutting-edge proprietary solutions

One of the Group's major breakthroughs that sets it apart from its peers is its proprietary full service intelligent marketing management platform (鄰度全鏈路智能營銷管理平台), LinkDoAI, which is developed through the revamping, enhancement and extension of the Group's existing systems and technological infrastructures. To ensure the seamless integration and synergy across its wide range of technical, cloud-based and back-end support systems, during the Reporting Period, the Group reclassified its existing systems and tools under three main heads, namely the "AI algorithm platform" (AI算法平台), the "cloud repository AI management system" (雲素材庫AI管理系統) and the "intelligent project management system" (智能項目管理系統), which together constitute the LinkDoAI.

By pairing its data mining and digital analytics capabilities with predictive modelling, which coupled with the deployment of highly adaptable solutions made possible by its utilisation of automated publishing tools and its access to vast and ever-expanding cloud-based databases of stock images and videos, the seamless and expeditious execution of the Group's extensive and comprehensive range of integrated systems facilitates the streamlining of business flow, the optimisation of back office management as well as elevating its service quality and customer experience. The LinkDoAI thus provides a practical framework upon which the Group can expand its service offerings and create products capable of generating additional values for its customers and thereby maintaining customer loyalty. The integrative model would also promote continuous improvement in the Group's operating processes and efficacy. The Group is set to hone its precision marketing capabilities through further upgrades and improvements to the LinkDoAI system so as to optimise the profitability of its operations.

To adapt to the challenging times, the Group is constantly optimising its cost structure, yet it will not give up on its innovative pursuits that it has continued to strive for, and will roll out further upgrades and new functions at appropriate timing.

MANAGEMENT DISCUSSION AND ANALYSIS

Continued commitment to technological innovations to bolster business agility with data-driven insights

Back in 2020, the Group constructed its own cloud-based repository system for all stock videos and images created since its incorporation to cope with the surging demand for quality short-video content. Through the process of modularisation (模塊化), (i.e., the breaking down of video footage into small segments and distinct parts which are then labelled according to their subject matters, creative value, previous usages and conversion rates) the stock videos can be readily assessed and utilised for different advertising projects, thus bringing the Group's short-video output operations closer to full automation. Armed with programmatic data analytics functions, the system is instrumental to the Group's short-video advertising operations as it provides valuable insights to the creative process of short-video editing. The system, now being fully optimised and utilised, thus brings agility to the short-video content creation process as it allows for the effective and efficient management, analysis and repurposing of creative content. Aside from other functional upgrades, improvements to the cloud repository AI management system are mainly focused on efficiency improvements of its self-learning and modular management algorithms. To facilitate more efficient deployment of resources, regular internal reviews and revisions are introduced to realise the in-depth cooperation efforts between the R&D teams and the short-video production crew.

Operating in a more competitive landscape rife with market players with diverse strengths, the Group strives to perfect its content creation capabilities and to focus its efforts on gauging consumer preference (especially that of the Z-generation users) so as to win over the hearts of a wider and more diverse audience.

Actively engaging new customers whilst striving to achieve diversification of customer structure

As marketing budgets shrink and competition steepens among marketing solutions providers, the Group has taken the initiative to reel in customers via online and offline channels and from a wider array of industry verticals such as those specialising in local life, fresh produce and food delivery, ride hailing, logistics, as well as those businesses targeting the stay-at-home economy and price-sensitive economy.

The Group's past efforts and success in supporting customers from traditional industries have garnered much interest from the likes of traditional education colleges, offline living service providers, and traditional consumer goods companies, etc. Having cemented its reputation through its successful cooperation with certain renowned domestic sports brands, the Group has managed to further extend its services to budding domestic brands such as those specialising in skincare and beauty.

MANAGEMENT DISCUSSION AND ANALYSIS

Mapping out social media strategies to complement its technological and solution capabilities

Boasting of a sharp technological edge, robust channel network and solid partnerships, the Group is well-poised to serve clients from diverse industry verticals. The Group's commitment to deliver tailored quality marketing solutions and effective content strategies to its customers has been rewarded from time to time by customer referrals and repeat business. Yet in face of intensified competition, the Group acknowledges the need to ramp up its customer base and proactively reach out to new customers and businesses such as those serving a younger generation of shoppers by channelling social media engagement to enhance its market presence and brand relevance. As the heightened popularity of social media during COVID restrictive times remains in ascendance, maintaining strong digital exposure through social media platforms is key to tiding over the constantly changing market conditions and customer preferences.

Weaving in effective content strategies to achieve refined targeting, facilitate conversion and enhance value for its customers

The Group's content strategies bring to full play its technological prowess as it harnesses its analytical expertise and competencies in consumer preference and perception matching to precisely capture and captivate target customers that are ideal for its client's businesses. As pressure is mounting on brands and businesses alike to make up for lost sales during the COVID onslaught in the earlier quarters, the Group is thus focusing its efforts on devising innovative strategies for its clients to reel in customers and drive sales for their products or services. By promoting seamless fusion of optimal keyword targeting, impactful stock footage, relatable user content as well as highly effective process management to curate solutions that fare better in terms of direct sales conversion, so as to offer cost-effective solutions that aligns well with the needs of customers with different budget standards during the current business cycle.

Edging over competitors with its offering of holistic customisable solutions at affordable prices

The group is accustomed to serving mainly top-tier clientele, counting some of the biggest names in Chinese tech amongst its customers, for which the offering of customised solutions is deemed critical. Yet, treading forward, the Group's cutting-edge precision targeting solutions empowered by its innovative and integrative LinkDoAI, with its ever-increasing slate of functions, can be fully accessed and readily utilised by clients through its SaaS initiative. Ideal for SMBs with limited budgets such as those operating in the sinking market and fledgling domestic brands, the SaaS model allows the Group's clients to tap into its full range of sharp backend operational and technical support that integrates the industry's preeminent up and downstream resources and thoroughly lined with a host of generalisable services and exclusive features through a mere payment of periodic subscription fee. As the Group's LinkDoAI boasts of more comprehensive, sophisticated and technologically advanced infrastructure when pitted against most of its peers in the market, thus by offering such fully-customisable marketing solutions at affordable prices, the Group is well geared up to gain a strong foothold in the recovering market.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets forth the comparative statement of comprehensive income for the year ended 31 December 2022 and the year ended 31 December 2021.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Revenue	443,494	488,028
Cost of services	(410,069)	(390,565)
Gross profit	33,425	97,463
Selling and distribution expenses	(4,659)	(2,334)
General and administrative expenses	(48,101)	(93,456)
Net impairment losses on financial assets	(220)	(874)
Other gains, net	6,390	17,002
Operating (loss)/profit	(13,165)	17,801
Finance income	618	273
Finance costs	(3,125)	(5,548)
Finance costs – net	(2,507)	(5,275)
(Loss)/profit before income tax	(15,672)	12,526
Income tax expense	(6,760)	(29,781)
Loss for the year	(22,432)	(17,255)

Revenue

During the year ended 31 December 2022, the Group recorded revenue of approximately RMB443,494,000, representing an approximate decrease of 9.1% as compared to approximately RMB488,028,000 recorded for the year ended 31 December 2021. Such decrease was largely contributed by the overall slowdown of business activities spurred on by sporadic COVID-19 outbreaks in various major Chinese cities. The sluggish demand plaguing the overall PRC intelligent marketing solutions industry in 2022 as a whole as exacerbated by shrinkage of overall marketing budgets, has further intensified competition and thus exerting pressure on the profits from the Group's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

A breakdown of the Group's revenue for the periods indicated are set forth in the table below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Intelligent marketing solutions services		
– Integrated intelligent marketing solutions services – gross method	416,958	426,515
– Influential placement services – net method	26,442	60,612
– Intelligent livestreaming services – net method	–	769
SaaS subscription solutions services	94	132
Total	443,494	488,028

Cost of services

The Group's cost of services mainly comprises of advertising traffic costs, expenses on technological and quality optimisation to its short videos and employee benefit expenses. During the year ended 31 December 2022, the Group recorded cost of services of approximately RMB410,069,000, representing an increase of approximately 5.0% as compared to approximately RMB390,565,000 recorded for the year ended 31 December 2021. Such increase was primarily attributable to (i) higher advertising traffic costs under the influence of the increasingly fierce industry competition; (ii) surging costs of customer retention and acquisition as well as higher production costs of short-videos; and (iii) higher sales and advertising costs as a result of the exploration of new growth areas and potential opportunities.

Gross Profit

During the year ended 31 December 2022, the Group recorded gross profit of approximately RMB33,425,000, representing a decrease of approximately 65.7% as compared to approximately RMB97,463,000 recorded for the year ended 31 December 2021. The decrease in gross profit was primarily attributable to (i) dampened sales and revenue during the Reporting Period; (ii) higher advertising traffic costs driven by the change of audience preference under a COVID-stricken economy; (iii) higher costs of services; and (iv) the Group's focus on integrated intelligent marketing solutions service delivery (with revenue being recognised on gross basis thereby yielding a lower gross profit margin as compared to other services with revenue being recognised on net basis).

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

Selling and distribution expenses

The Group's selling and distribution expenses mainly comprise of (i) employee benefit expenses; (ii) entertainment expenses; (iii) office expenses; and (iv) travelling expenses. During the year ended 31 December 2022, the Group recorded selling and distribution expenses of approximately RMB4,659,000, representing an increase of approximately 99.6% as compared to approximately RMB2,334,000 recorded for the year ended 31 December 2021. Such increase was primarily attributable to the expansion of sales team and the Group's increased entertainment expenses and additional travelling expenses incurred from participating in events such as industry summits and exhibitions during the Reporting Period. In light of market changes, competitor dynamics and budget constraints of its existing clients, the Group recognises the need to diversify its customer base and structure in order to realise stable business development.

General and administrative expenses

The Group's general and administrative expenses mainly comprise of employee benefit expenses, legal and professional fees, consultancy fee, short-term lease expenses, server charges and IT fees and auditor's remuneration. During the year ended 31 December 2022, the Group recorded general and administrative expenses of approximately RMB48,101,000, representing a decrease of approximately 48.5% as compared to approximately RMB93,456,000 recorded for the year ended 31 December 2021. Such decrease was primarily attributable to (i) the Group's optimised employee compensation and welfare expenses; (ii) reduced office expenses as part of its strive to adapt to the increasingly competitive marketing landscape; and (iii) the decrease of share-based compensation payment expenses by approximately RMB35,408,000 as compared to the year ended 31 December 2021.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets represented the expected credit losses from its trade receivables and other receivables. During the year ended 31 December 2022, the Group recorded net impairment losses of approximately RMB220,000, representing a decrease of approximately 74.8% as compared to approximately RMB874,000 for the year ended 31 December 2021. Such decrease was primarily attributable to the Group's optimised receivable management, which led to reductions in trade receivable and expected credit losses.

Other gains – net

The Group's other gains – net comprise primarily of government grant, net gain on disposal of financial assets at fair value, gains on disposal of property, plant and equipment, and value added tax refunds. During the year ended 31 December 2022, the Group recorded other gains – net of approximately RMB6,390,000, representing a decrease of approximately 62.4% as compared to approximately RMB17,002,000 recorded for the year ended 31 December 2021. Such decrease was primarily attributable to a decrease in government subsidies and value added tax refunds.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs – net

During the year ended 31 December 2022, the Group recorded net finance costs of approximately RMB2,507,000, representing a decrease of approximately 52.5% as compared to approximately RMB5,275,000 recorded for the year ended 31 December 2021 as impacted by the increase in interest on bank deposits and the decrease in interest expenses on bank borrowings.

Income tax expenses

The Group is exempted from Cayman Islands income tax, and no provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year ended 31 December 2022. The income tax expense was primarily attributable to PRC Enterprise Income Tax. During the year ended 31 December 2022, the Group recorded income tax expense of approximately RMB6,760,000, representing a decrease of approximately 77.3% as compared to approximately RMB29,781,000 recorded for the year ended 31 December 2021. The decrease is mainly attributable to the deferred income tax liabilities of approximately RMB21.2 million incurred in 2021 by the Group, recognised for unallocated retained earnings of the Group's PRC subsidiaries.

Loss for the year

During the year ended 31 December 2022, the Group recorded loss of approximately RMB22,432,000, representing an increase of approximately 30.0% as compared to loss of approximately RMB17,255,000 recorded for the year ended 31 December 2021. Such increase was primarily attributable to reasons similar to the foregoing in relation to the Group's gross profit.

Non-HKFRS Measure: Adjusted net (loss)/profit

To supplement its historical financial information which is presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The Group defines adjusted net profit as net (loss)/profit for the year adjusted by adding back share-based compensation and income tax expense incurred during the Reporting Period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below reconciles the Group's adjusted net (loss)/profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is the net loss for the year:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Reconciliation for net loss to adjusted net (loss)/profit		
Net loss for the year	(22,432)	(17,255)
Add:		
Share-based compensation		
– Non-recurring	2,641	38,240
– Recurring	1,077	886
Income tax expense	6,760	29,781
Adjusted net (loss)/profit	(11,954)	51,652

Liquidity and capital structure

As at 31 December 2022, the Group recorded total assets of approximately RMB358,207,000 (31 December 2021: approximately RMB583,320,000), total liabilities of approximately RMB226,678,000 (31 December 2021: approximately RMB287,725,000) and total equity of approximately RMB131,529,000 (31 December 2021: approximately RMB295,595,000). As at 31 December 2022, the gearing ratio of the Group is 42.6% compared to the net cash position at 31 December 2021. The change in the gearing ratio mainly attributable to the dividend paid during the year ended 31 December 2022.

The Group mainly utilised internal cash flows from operating activities and borrowings to satisfy its working capital requirements.

Bank borrowings

As at 31 December 2022, total bank borrowings amounted to approximately RMB39,770,000 (31 December 2021: approximately RMB82,102,000). As at 31 December 2022, the Group's bank borrowings bear interest rate of 4.3% to 5.45% (31 December 2021: 3.85% to 5.5%) per annum.

Loans from related parties

As at 31 December 2022, total loans from related parties amounting to approximately RMB88,926,000 are unsecured, interest-free and repayable on demand of lenders under the loan contracts.

Capital expenditures

The Group's capital expenditures during the year ended 31 December 2022 mainly consisted of expenditures on property, plant and equipment. For the year ended 31 December 2022, the Group has recorded approximately RMB139,000 capital expenditures, as compared to approximately RMB2,308,000 recorded for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures

No significant investments were held, nor were there any material acquisitions or disposals by the Group or any of its subsidiaries, associates or joint ventures during the year ended 31 December 2022.

Pledge of assets

As of 31 December 2022, none of the Group's asset was subject to any pledge.

Contingent liabilities

As of 31 December 2022, the Group had no material contingent liabilities.

Employees

As of 31 December 2022, the Group had 215 full-time employees (2021: 261), the majority of whom were based in Shenzhen, China. As required under PRC regulations, the Group has participated in various employee social security plans organised by applicable local municipal and provincial governments, including employee training and incentive plans.

PROSPECTS

The market is poised for a rebound after a tumultuous ride of a year. The Group's ability to edge over its competitors is thus put to the test in an era filled with uncertainty and an arena rife with competition. With the continuous ushering in of technological advances such as artificial intelligence as spurred on by the pandemic and the hastened digital transformation across industry verticals, the Group would need to juggle its strategic deployments and resources to implement strategic initiatives and harness opportunities to drive cost-saving improvements and innovation going forward. Building upon its competitive strengths as well as its existing network and reach, as well as consumer stickiness, the key initiatives outlined below underscores both the Group's sharpened focus on forging advancements in the development and utilisation of AI technology amidst intensified competition and economic uncertainty, and the strategic deployments that underpin delivery of its aspirations.

General performance: Attaining cost efficiency

Infusing AI technologies in daily operations to streamline processes and achieve operational efficiency

Eyeing the bountiful and myriad benefits that the latest in AI technology and breakthroughs can bring to the table (particularly in terms of enhanced efficiency, flexibility, operations agility and cost-effectiveness, which are but key to those trying to stay afloat in challenging markets), the Group was keen to hitch a ride on the AI wave by harnessing readily available AI technology in the form of generic Apps with embedded AI functions in the market. The relatively lower costs of using such niche technology with readily accessible functions that align with the Group's needs makes it ideal for the Group's operations as the integration and utilisation of the same would allow the Group to streamline its operations and optimise its processes without delays and at minimal cost. It is projected that the Group would, after carefully scrutinising, thoroughly evaluating and meticulously assessing the practicability and viability of a potential integration, and select the most fitting app to match with the varied functions for which they are deployed to perform, starting from short-video editing, designing work and writing tasks etc., and with the list expected to expand further as and when deemed practicable and necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Innovative front: Unleashing innovative potential

Actively exploring innovative means and strategies to adopt and embed AI technology for performance enhancements and to realise further optimisation and upgrading of existing technological infrastructure

AI technology, especially in the nascent form of “generative AI” allows for the generation of original content by analysing and “learning” from existing data, and thereby having the potential to revolutionise and transform business operations, with wide implications on the innovative processes, as well as potentially cutting down the development time for products and applications.

Forming the backbone of the Group’s technological infrastructure is its proprietary full service full service intelligent marketing management platform (鄰度全鏈路智能營銷管理平台) LinkDoAI, which seamlessly and synergistically integrate the Group’s wide range of technical, cloud-based and back-end support systems. The Group is confident that the generative AI, once integrated with, or deployed into the LinkDoAI, would help unleash its full potential, thereby drive improvements in various realms, such as the streamlining of operations, the delivering of effective customer service and the jumpstarting of creative efforts. Generative AI has proved a particularly useful tool for data management as it can be deployed to address issues with data quality and data duplication, thus potentially enhancing data accuracy and the speed of data insight acquisition. Whilst generative AI’s content curation and development capabilities can inspire and offer content creators much assistance in the creative process, the true breakthrough brought on by such niche technology lies in the fact that the generative AI can mimic human interactions through analysing previous correspondence and exchanges. Given the immense potential and promise of the generative AI, the Group will actively explore means and ways to facilitate its integration into the LinkDoAI.

Operations front: develop AI-driven operations

The Group being acutely aware that with AI at its fingertips, its business and operations can readily take flight when opportunities come its way. Thus, the Group has been on active lookout for potential new business forms and niche modes of operations within the marketing realm that enables it to tap into the full potential that the latest the AI technological world has to offer. Having been in talks with external AI technology companies, the Group would press on with its pursuit of potential opportunities and usage that would facilitate seamless combination of niche AI technology with new business offerings.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event occurred that materially affect the Group’s financial condition or operation following the Reporting Period and up to the date of this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Group does not have other plans for material investments or additions of capital assets.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. DONG Hui (董暉) (“Mr. Dong”), aged 36, was appointed as Director on 8 November 2018, and was re-designated as executive Director, Chairman of the Board and chief executive officer on 25 March 2019, and is primarily responsible for supervising overall strategic development and planning and making major decision for the Group. Mr. Dong is the chairman of the nomination committee of the Company; and is also a director of various subsidiaries of the Group.

Mr. Dong is one of the founders of the Group. Mr. Dong is a party acting in concert with Mr. YANG Dengfeng, executive Director of the Company, and he is the spouse of Ms. GAO Yuqing, executive Director of the Company.

Mr. Dong has over 10 years of experience in mobile internet industry. Mr. Dong worked as a supervisor of the developing team at Digu Information Technology (Shenzhen) Co., Ltd* (嘀咕信息技術(深圳)有限公司) from May 2010 to April 2011. Mr. Dong then served as the software engineer and the senior product manager of Tencent Technology (Shenzhen) Company Limited, a subsidiary of Tencent Holdings Limited from April 2011 to August 2015, and was responsible for developing mobile payment and mobile app related commercial works.

From August 2015 to December 2015, Mr. Dong was the chief operating officer of Shenzhen Zhuazhua Technology Co., Ltd. (深圳爪爪科技有限公司), which primarily engaged in the service for pets and pets-related services and products.

Mr. Dong received a bachelor degree in Electronic Commerce from Wuhan Technology Institute (武漢科技學院) (now known as Wuhan Textile University (武漢紡織大學)) in June 2009.

Mr. YANG Dengfeng (楊登峰) (“Mr. Yang”), aged 40, was appointed as Director on 8 November 2018. Mr. Yang was re-designated as executive Director and chief technology officer on 25 March 2019, and is primarily responsible for overall strategic planning and supervising the technological development of the Group. Mr. Yang is a member of the remuneration committee of the Company; and is also a director of various subsidiaries of the Group.

Mr. Yang was one of the founders of the Group. Mr. Yang is a party acting in concert with Mr. DONG Hui, executive Director, Chairman and chief executive officer of the Company.

Mr. Yang has over 15 years of experience in mobile internet industry. Mr. Yang worked as the programmer for the mobile internet in Tencent Technology (Shenzhen) Company Limited, a subsidiary of Tencent Holdings Limited, from July 2006 to June 2007, during which he was responsible in research and development of internet safety system and data mining software. Mr. Yang joined Shenzhen Tencent Computer System Co., Ltd.* (深圳市騰訊計算機系統有限公司), a subsidiary of Tencent Holdings Limited, in December 2008 and worked as vice supervisor for mobile payment system development project, which he was primarily responsible for strategic development and management of mobile internet payment platform, including researching for new products and services and functions to be provided via these mobile internet payment platform, until he left the position in May 2015. Mr. Yang was the chief executive officer of Shenzhen Zhuazhua Technology Co., Ltd. (深圳爪爪科技有限公司) from April 2015 to December 2015.

Mr. Yang received a bachelor degree in Information Technology System Management from Heilongjiang University (黑龍江大學) in July 2006.

DIRECTORS AND SENIOR MANAGEMENT

Ms. GAO Yuqing (高雨晴) (“Ms. Gao”), aged 33, joined the Group in December 2015 as Director and one of the founders, later promoted to the position of head of the performance-based advertising team. Ms. Gao was later appointed as an executive Director on 25 March 2019. Ms. Gao is primarily responsible for overseeing management of the Group. Ms. Gao was a commerce manager at Beijing Qihu Keji Co. Ltd. (北京奇虎科技有限公司), a subsidiary of 360 Security Technology Inc. (三六零安全科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601360.SH), and a company principally engages in the business of development of internet safety and protection software and the provision of anti-virus services, from July 2011 to November 2015. Ms. Gao received a bachelor degree in Software Engineering from Tianjin University of Agriculture (天津農學院) in June 2011. Ms. Gao is the spouse of Mr. DONG Hui, executive Director, Chairman and chief executive officer of the Company.

Mr. CEN Senhui (岑森輝) (“Mr. Cen”), aged 34, joined the Group in December 2015 and has been a chief operating officer. Mr. Cen was re-designated as executive Director and chief operating officer on 25 March 2019. He is also a Director of Hangzhou Bright Future Technology Company Limited* (杭州輝煌明天企業管理有限公司). Mr. Cen resigned as a Director of Shenzhen Lindu Technology Company Limited* (深圳鄰度科技有限公司) on 14 September 2021. Mr. Cen is primarily responsible for overall operational management and overseeing daily operation of the Group. Mr. Cen has accumulated around 11 years of experience in information technology industry. Mr. Cen worked as a project manager of Nokia Beijing branch (諾基亞通信系統技術(北京)有限公司) from June 2011 to October 2014, which he was responsible to the research and development of 4G mobile network, as well as the tender for technological projects. Mr. Cen then worked as Channel Manager (渠道經理) at Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司), a company principally engages in video-centric IoT (internet of things) services, integrated security service and big data services, from October 2014 to April 2015. Later, Mr. Cen worked as the marketing director of Shenzhen Zhuazhua Technology Co., Ltd. (深圳爪爪科技有限公司) from May to December 2015.

Mr. Cen received a bachelor degree in Electrical Engineering and Automation from Hangzhou Dianzi University (杭州電子科技大學) in June 2011.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Kin Wai (劉健威) ("Mr. Liu"), age 41, is an independent non-executive Director of the Company. Mr. Liu has been appointed as an independent non-executive Director of the Company on 22 August 2019 with effect from the listing of the Company's shares on the main board of the Stock Exchange. Mr. Liu is primarily responsible for providing independent opinion and judgment to the Board. Mr. Liu is the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Liu had more than 16 years of experience in assurance services and financial and capital management work. Some of his work experiences are set out in the table below:

Name of employer	Positions held	Employment period
Ernst & Young	From accountant to senior manager	November 2004 to May 2015
北控水務集團有限公司 (Beijing Enterprises Water Group Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 371)	Senior manager	May 2015 to September 2016
山高新能源集團有限公司 (Shandong Hi-Speed New Energy Group Limited) (formerly known as 北控清潔能源集團有限公司 Beijing Enterprises Clean Energy Group Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 1250)	Chief financial officer and company secretary	September 2016 to September 2019
東勝智慧城市服務控股有限公司 (Orient Victory Smart Urban Services Holding Limited) (formerly known as 東勝旅遊集團有限公司 Orient Victory Travel Group Company Limited) (a company which shares are listed on the Stock Exchange, Stock Code: 265)	Chief financial officer Company secretary	Since December 2019 Since January 2021

On 1 March 2023, Mr. Liu was appointed as an independent non-executive Director of Wine's Link International Holdings Limited (stock code: 8509), a company listed on the Stock Exchange.

Mr. Liu received his bachelor in Accounting from the City University of Hong Kong (香港城市大學) in November 2003, and completed China Environmental Industry Senior Manager Training Programme (中國環境產業高級經理人研修班) from Tsinghua University (清華大學) in December 2016. Mr. Liu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WEI Hai Yan (魏海燕) (“Mr. Wei”), aged 57, is an independent non-executive Director of the Company. Mr. Wei has been appointed as an independent non-executive Director of the Company on 22 August 2019 with effect from the listing of the Company’s shares on the main board of the Stock Exchange. Mr. Wei is primarily responsible for providing independent opinion and judgment to the Board. Mr. Wei is a member of the audit committee and the nomination committee of the Company.

Mr. Wei was a deputy general manager at Jiangsu Boxin Investing & Holdings Co. Ltd. (江蘇博信投資控股股份有限公司) (formerly known as Chengdu Hongguang Industry Co., Ltd.* (成都紅光實業股份有限公司)), a company principally engaged in commodity trading business, from June 1998 to December 2000. Mr. Wei is currently the vice general manager of Shenzhen Headwater Water Treatment Technology Co., Ltd.* (深圳恆通源環保科技有限公司), which he joined the company in December 2000.

Mr. Wei received a bachelor degree in Computer Engineering from Chengdu Electronics Engineering College (成都電訊工程學院) in July 1987 and a master degree of Industrial Management Engineering from University of Electronic Science and Technology of China (中國電子科技大學) in March 1990.

Mr. ZHANG Fanchen (張凡琛) (“Mr. Zhang”), aged 37, is an independent non-executive Director of the Company. Mr. Zhang has been appointed as an independent non-executive Director of the Company, the chairman of the remuneration committee, and as members of both the audit committee and the nomination committee of the Company on 8 October 2021.

Mr. Zhang has more than 15 years of experience in corporate finance, listing, restructuring, and mergers and acquisitions practice.

Mr. Zhang worked as a senior auditor in Ernst & Young Hua Ming LLP, Shanghai Branch from August 2008 to July 2011. From August 2011 to July 2014 and from July 2014 to June 2015, Mr. Zhang worked first at the investment banking department (投資銀行部) of Huatai United Securities Co., Ltd.* (華泰聯合證券有限責任公司) and then at the international mergers and acquisitions department* (國際併購部) of Sinolink Securities Co., Ltd.* (國金證券股份有限公司), respectively. From July 2015 to September 2018, he worked at the investment banking department of Morgan Stanley Securities (China) Co., Ltd. and was principally responsible for corporate finance, listing, mergers and acquisitions as well as restructuring. Since September 2018, Mr. Zhang worked at 360 Ludashi Holdings Limited (360魯大師控股有限公司) (the shares of which are listed on the Stock Exchange (stock code: 3601)).

Mr. Zhang received a bachelor’s degree in accounting from Sichuan University* (四川大學) in June 2008 and a master’s degree in business administration from Shanghai Advanced Institute of Finance* (上海高級金融學院) of Shanghai Jiao Tong University* (上海交通大學) in June 2016. Mr. Zhang is a non-practicing member of The Chinese Institute of Certified Public Accountants* (中國註冊會計師協會) and a member of the Association of Chartered Certified Accountants (英國特許公認會計師公會) and has passed Chinese Sponsor Representative examination* (中國保薦代表人勝任能力考試).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of the Company:

Name	Age	Position	Roles and Responsibilities
Dong Hui (董暉)	36	Executive Director and chief executive officer	overall strategic development and planning and major decision making
Yang Dengfeng (楊登峰)	40	Executive Director and chief technology officer	overall strategic planning and supervising technological development of our Group
Gao Yuqing (高雨晴)	33	Executive Director and head of performance-based advertising team	advise on overall strategic planning of our Group and lead the performance-based advertising team
Cen Senhui (岑森輝)	34	Executive Director and chief operating officer	overall operational management and overseeing daily operation of our Group
Wu Yang (武洋)	32	Chief financial officer	supervising internal audit, finance and accounting matters

Please refer to the paragraphs headed “Executive Director” in this section for the biographical details of Mr. Dong, Mr. Yang, Ms. Gao and Mr. Cen.

Ms. WU Yang (武洋) (“Ms. Wu”), aged 32, has been the chief financial officer of the Company since May 2017. Ms. Wu is primarily responsible for overseeing the Company’s internal accounting and audit matters, as well as supervising internal fund management and annual budget.

Ms. Wu has more than 9 years of experience in accountancy work. Prior to joining the Group, Ms. Wu was the project manager at Dalian Chunyu Accounting Management Consulting Co., Ltd.* (大連市春雨會計管理諮詢有限公司) from June 2013 to April 2017, which she was responsible for providing auditing and accounting services, as well as consultation services on internal control matters.

Ms. Wu received a bachelor degree of accounting from Jiamusi University (佳木斯大學) in June 2013.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian (曹炳昌) ("Mr. Tso"), aged 43, was appointed as the company secretary of the Company on 16 October 2020. Mr. Tso obtained his bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 2003. He obtained his master's degree in corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso is currently a practicing and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Mr. Tso has over 17 years of experience in accounting and financial management. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young and last held the position of manager and was responsible for the assurance and advisory business services. From December 2008 to May 2010, Mr. Tso worked for Greenheart Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 94), as financial controller. From May 2010 to August 2012, Mr. Tso worked for Maxdo Project Management Company Limited as senior vice president of the investment team. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 and he has been the sole proprietor since then.

* denotes the English translation of the Chinese name for identification purpose only

REPORT OF THE DIRECTORS

The board (the “**Board**”) of directors (the “**Directors**”) of Bright Future Technology Holdings Limited (the “**Company**”) are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022.

CORPORATE INFORMATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands on 8 November 2018 as an exempted company with limited liability under the Companies Law. The Company carried out the Share Offer, comprising 125,000,000 Shares in the Company at HK\$1.10 per Share and the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the provision of intelligent marketing solutions services, comprising of 4 key components, namely, “influential placement”, “precision marketing”, “intelligent content” and “intelligent livestreaming”, in the PRC. Details of the principal activities of the Company’s subsidiaries are set out in note 34 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group’s performance during the year ended 31 December 2022 and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed “Management Discussion and Analysis” of this annual report. The financial risk management of the Group are set out in note 3 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income and the consolidated statement of financial position on pages 66 to 67 of this annual report.

FINAL DIVIDEND

The Board did not propose any dividend for the year ended 31 December 2022 (2021: RMB0.16 (equivalent to HK\$0.20) per Share).

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting (“**AGM**”), the register of members of the Company will be closed from Monday, 15 May 2023 to Friday, 19 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share 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, 12 May 2023.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules, the Company's environmental, social and governance report, which aptly captures the Group's efforts to align environmental, social and corporate governance with our strategic growth and integrate the same into our business operations, will be available on our website and the website of the Stock Exchange at the same time as the publication of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

Risks relating to the Group's business and industry

- The Group may fail to compete effectively against other mobile advertising companies under the expected intense market competition, and the strong market positions of our major customers and media publishers may limit the Group's bargaining power with them and the Group could lose the existing customers.
- The Group generates revenues from the segment of intelligent marketing solutions services. If the Group fails to retain, deepen or expand the relationships with its existing suppliers, media publishers, customers, attracts new customers, or if the advertisers decide to directly engage media publishers for advertising, the Group's financial condition, results of operations and prospects may be materially and adversely affected.
- The Group may not be able to develop new or enhances services, or may fail to keep abreast with the technological developments of the mobile advertising industry, which may adversely affect the Group's business, financial conditions, results of operations and prospects.
- The Group is subject to risks and uncertainties as the Group only has a relatively short operating history in a competitive industry. The limited operating history undermines the evaluation of the Group's business and prospects.
- The Group has to pay for customers in advance to media publishers before arranging the bidding of advertisement inventories, and the Group is exposed to risks with regard to collection of the trade receivables for customers.
- Failure in complying with the standards and requirements from the Group's media publishers, in particular for those which recognised the Group as a core service provider, could result in loss of major media publishers and negatively affect the Group's business, financial conditions and operating results.
- Fluctuations in advertising traffic costs may adversely affect the Group's profitability.
- The Group is uncertain about the recoverability of the Group's deferred income tax assets as they are subject to accounting uncertainties.

REPORT OF THE DIRECTORS

- The Group relies on the performance of suppliers for the Group's precision advertising services. Any malpractice of or disputes with these suppliers may adversely affect the services provided to customers and the Group's reputation, which may lead to loss of its existing customers.
- There is a notable absence of a transparent pricing system for the mobile advertising market in the PRC, and media publishers are in control of the process for bidding advertisement inventories.
- If the Group does not effectively manage its growth, the Group's operating performance will deteriorate.
- The Group may face government actions and civil claims in connection with false, fraudulent, misleading, or otherwise illegal content of advertisements for which the Group provides advertising services.
- The regulations governing the mobile advertising industry are still evolving and developing. If the Group fail to obtain requisite approvals, licences or permits applicable to the Group's business, the Group's business and results of operations might be materially adversely affected.
- Laws and regulations in relation to data mining keep changing from time to time. New laws and regulations may be promulgated in the future which may adversely affect the Group's business and results of operations.
- Discontinuation of any preferential tax treatments available to the Group in China could adversely affect the Group's results of operations and financial condition.
- Any breaches to the Group's security measures, including unauthorized access, computer viruses and hacking, may adversely affect the Group's database, reduce use of the Group's services and damage the Group's reputation.
- The Group's information technology system relies on certain highly technical software developed by the Group's research and development team, which may contain undetected errors, that may affect the Group's business.
- The Group may not be able to prevent others from making unauthorized use of the Group's intellectual property.
- The Group may be subject to intellectual property infringement claims, which may be expensive to defend and may cause disruption to the Group's business and operations.
- Retaining of the Group's senior management and key employees are crucial to the Group's success, and the Group's business may be harmed if the Group loses their services.
- The controlling shareholders of the Company, whose interests may not be aligned with the interests of other shareholders of the Company, have substantial influence over the Company.
- The Group faces risks related to natural disasters and health epidemics.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group fully understands that employees, customers and suppliers are the key to its sustainable and stable development. The Group is committed to establishing a close relationship with its employees, customers, and suppliers so as to ensure the Group's sustainable development. During the Reporting Period, there was no significant or material disputes between the Group and its employees, customers and suppliers.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed above, as far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for approximately 69.9% and 28.9%, respectively, of the Group's total revenue for the year ended 31 December 2022. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 67.0% and 29.2%, respectively, of the costs of services for the year ended 31 December 2022.

Different suppliers/customers under the same holding group or company were grouped together for the purpose of calculating the contribution from top customers/suppliers.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had material interest in the Group's five largest customers or suppliers during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

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

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2022, the Group had 215 full-time employees.

The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salaries, wages and bonuses, pension costs, share-based compensation, other social security costs, housing benefits and other employee benefits, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The remuneration committee of the Company was set up for the reviewing of the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB48.5 million. Details of the remuneration are set out in note 9 to the consolidated financial statements of this annual report.

REPORT OF THE DIRECTORS

For the year ended 31 December 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group carries out its business operations in the PRC with most of the transactions denominated and settled in Renminbi save for certain fees payable to professional parties and miscellaneous administrative expenses that are denominated in Hong Kong dollars. Hence the Group does not currently have a hedging policy on foreign exchange risk as the Board does not consider the Group's exposure to foreign exchange fluctuations (primarily in the Hong Kong dollar) to be significant, and that any fluctuation thereof will not have any material impact on the Group's business operations or its financial results. The management will, however, closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 34 to the consolidated financial statements in this annual report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of change in equity and note 26 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company did not have any distributable reserves.

FINANCIAL RESULTS

A summary of the results, assets, liabilities of the Group for the past financial years is set out on page 127 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

REPORT OF THE DIRECTORS

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2022 are set out in note 21 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

Executive Directors:

Mr. DONG Hui (*Chairman and Chief Executive Officer*)

Mr. YANG Dengfeng

Ms. GAO Yuqing

Mr. CEN Senhui

Independent Non-executive Directors:

Mr. LIU Kin Wai

Mr. WEI Hai Yan

Mr. ZHANG Fanchen

In accordance with the provisions of the Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with articles 108(a) & 108(b) of the Articles of Association, Mr. DONG Hui, Mr. CEN Senhui and Mr. WEI Hai Yan will retire by rotation and being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers that all independent non-executive Directors have satisfied their independence to the Group.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years with effect from the Listing Date, which may be terminated by either party giving not less than three months' written notice and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

Each of the independent non-executive Directors has entered a letter of appointment, which may be terminated by either party giving not less than one month written notice or paying an equivalent amount of payment in lieu of notice to the other party, and is subject to termination provisions therein and retirement by rotation in accordance with the Articles of Association.

Save as disclosed above, none of the Directors has entered into any service with the Company other than contracts expiring or determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the note 30 to the consolidated financial statements, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or an entity connected with any Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in the section headed "Loans from related parties" on page 18 of this annual report and note 30 to the consolidated financial statements, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Group is decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and the prevailing market conditions.

Details of the remuneration of the Directors are set out in note 31 to the consolidated financial statements in this annual report.

No remuneration was paid by the Group to any Director or senior management as an induction to join or upon joining the Group or as compensations for loss of office for the year and none of the Directors had waived any emoluments for the year.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended 31 December 2022. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year, which remains in force.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 21 to 26 of this annual report.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

A summary of the principal terms of the Share Option Scheme is set out below:

Eligible persons

The Board may, at its absolute discretion, offer to grant options to the following persons:

- (i) any employee or director or chief executive of any member of the Group;
- (ii) any executive directors, non-executive directors and independent non-executive directors of any member of the Group;
- (iii) any substantial shareholder of any member of the Group;
- (iv) advisors or consultants of any member of the Group; and
- (v) an associate of any of the persons referred in paragraphs (i) to (iv) above.

REPORT OF THE DIRECTORS

Maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes ("**Other Schemes**") of the Group is 500,000,000, being no more than 10% of the Shares in issue as of the Listing Date (the "**Scheme Mandate Limit**").

The Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the shareholders in general meeting. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval, and for the purpose of calculating the latest refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and Other Schemes of the Group) previously granted under the Share Option Scheme and Other Schemes of the Group will not be counted.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and Other Schemes of the Group shall not exceed 30% of the Shares in issue from time to time.

As at 31 December 2022 and the date of this annual report, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme and therefore the total number of Shares available for grant under the Share Option Scheme was 50,000,000 Shares, representing 10% of the issues share capital of the Company.

Maximum entitlement of each participant

Unless approved by the Shareholders in general meeting, the maximum number of Shares underlying the options granted to a participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time.

Life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Subscription price

The subscription price for the Shares subject to options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of a Share.

Consideration

Consideration of HK\$1.00 is required to be paid by the Eligible Person for the grant under the Share Option Scheme and such payment must be made within 28 days from the date on which the option is granted.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME

The Share Award Scheme was adopted on 7 May 2021 (the “**Adoption Date**”). The purposes and objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

A summary of the principal terms of the Share Award Scheme is set out below:

Eligible participants

The eligible award participant of the Share Award Scheme (the “**Selected Employee**”) are employee(s) (other than any Excluded Employee) selected by the Board, from time to time, at its absolute discretion.

Maximum number of Shares available to be granted

The Company has entered into a trust deed with Futu Trustee Limited (the “**Trustee**”) on 7 May 2021 and appointed the Trustee as the initial trustee under the Share Award Scheme. The Trustee is a professional trustee engaged by the Company for the Share Award Scheme. Pursuant to the Share Award Scheme, the shares of the Company to be awarded under the Share Award Scheme (the “**Awarded Shares**”) will be comprised of (i) new Shares to be allotted and issued to the Trustee (which holds the same on behalf of the Selected Employees) by the Company under the general mandate sought from the shareholders of the Company in its general meeting; or (ii) existing Shares to be purchased from public shareholders or from any party designated by the Company.

The maximum number of Awarded Shares which may be awarded under the Share Award Scheme is 10 per cent (i.e. 50,000,000 shares) of the Shares in issue as at the Adoption Date.

During the year ended 31 December 2022, the Company granted a total of 4,281,391 Awarded Shares to three Selected Employees, representing approximately 0.86 per cent of the issued share capital of the Company as at the date of this annual report.

On 7 May 2022, a total of 100,000 Awarded Shares, which are held on trust by Trustee pursuant to the Trust Deed, were granted by the Company pursuant to the Share Award Scheme to a Selected Employee.

On 12 May 2022, the Board resolved to grant a total of 4,181,391 awarded shares, which are held on trust by Trustee pursuant to the Trust Deed, of which 541,691 awarded shares were granted to Global Digital Adc Limited, wholly-owned by Mr. Cen, and 3,639,700 awarded shares were granted to Able2shine Limited, wholly-owned by Ms. Gao. Details of which are set out in the Company’s announcement dated 12 May 2022.

Since the Adoption Date and up to the date of this annual report, a total of 8,136,772 Awarded Shares had been granted under the Share Award Scheme, representing about 1.62 per cent of the issued share capital of the Company in issue on the Adoption Date. During the year ended 31 December 2022, 5,308,766 Awarded Shares were vested in the Selected Employees and 584,615 Award Shares were cancelled/lapsed. The total number of Awarded Shares which is available for being further awarded under the Share Award Scheme is 42,447,843 which represents about 8.48 per cent of the Company’s issued shares as at the date of this annual report.

REPORT OF THE DIRECTORS

The Board shall not make any further award which will result in the aggregate number of the Shares awarded by the Board under the Share Award Scheme exceeding ten per cent of the total issued share capital of the Company from time to time.

The Group recognised a share-based compensation expenses of RMB3,718,000 for the year ended 31 December 2022 (2021: RMB39,126,000).

Maximum entitlement of each Selected Employee

The maximum number of shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed one per cent of the total issued share capital of the Company in any 12-month period. The Board will, however, refrain from making any further award, should it involve allotment of new Share or purchase of existing Share from public shareholders rendering the Company unable to meet the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Vesting Period of the Awarded Shares

A Selected Employee shall be entitled to receive the Awarded Shares held by the Trustee in accordance with the vesting schedule, as set out in the grant notice, upon when the Selected Employee has satisfied all vesting conditions specified by the Board at the time of making the award. Vesting of the Shares will be conditional on the Selected Employee remaining a director or employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee.

Amount payable on acceptance of the Awarded Shares

The Board shall be at its discretion entitled to determine the amount payable on acceptance of the Awarded Shares. There is no exercise price or purchase price of the Awarded Shares under the Share Award Scheme.

Remaining life of the Share Award Scheme

The Share Award Scheme shall initially be valid and effective for a period of ten years commencing on the Adoption Date and shall expire on the day immediately preceding the tenth anniversary thereof, after which period no further award shall be made.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any unvested Shares held under the Share Award Scheme Trust (including but not limited to the Awarded Shares, further shares acquired out of the income derived therefrom, the returned shares, any bonus shares and scrip shares).

REPORT OF THE DIRECTORS

Details of the Awarded Shares under the Share Award Scheme options is as follows:

Awardee	Date of Grant	Vesting date	Number of unvested Awarded Shares As at 1 January 2022	Number of Awarded Shares granted during the Reporting Period	Number of Awarded Shares vested during the Reporting Period	Adjustment/ cancelled/ lapsed during the Reporting Period	Number of unvested Awarded Shares As at 31 December 2022	Weighted average closing price of the Shares immediately before the vesting date HK\$
Directors								
Mr. Cen Senhui ¹	12 May 2022	12 May 2022	–	541,691	541,691	–	0	0.73
Ms. Gao Yuqing ²	12 May 2022	12 May 2022	–	3,639,700	3,639,700	–	0	0.73
Sub-total for Directors			–	4,181,391	4,181,391	–		
40 Selected Employees	20 July 2021	20 July 2022 ³	3,855,381	–	1,027,375	584,615	2,243,391	0.47
Selected Employee	7 May 2022 ⁴	7 May 2022	–	100,000	100,000	–	0	0.71
Total			3,855,381	4,281,391	5,308,766	584,615	2,243,391	

Pursuant to the announcement of the Company dated 7 May 2021, the award of the Awarded Shares were awarded to each of the awardees at nil consideration. The closing price of the share immediately before the dates of grant of the Awarded Shares on 20 July 2021, 12 May 2022 and 7 May 2022 was HK\$0.98, HK\$0.73, and HK\$0.71 respectively.

The number of Shares that may be issued in respect of options and Award Shares, if any, granted under all of the abovementioned share incentive schemes of the Company during the Reporting Period divided by the weighted average total issued share capital of the Company for the Reporting Period is approximately 0.009.

Note:

- On 12 May 2022, 541,691 shares were granted to Global Digital Adc Limited, which is wholly-owned by Mr. Cen Senhui.
- On 12 May 2022, 3,639,700 shares were granted to Able2shine Limited, which is wholly-owned by Ms. Gao Yuqing.
- the Awarded Shares are vested in three tranches: (i) 30% of the Award Shares to be vested on any date after the last day of period of 12 months commencing on the date of acceptance form; (ii) 30% of the Award Shares to be vested on any date after the last day of period of 24 months commencing on the date of acceptance form; (iii) 40% of the Award Shares to be vested on any date after the last day of period of 36 months commencing on the date of acceptance form. For further details, please refer to the announcement of the Company dated 23 July 2021.
- One-off grant.

REPORT OF THE DIRECTORS

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be 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 are taken, or are deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interest in the Company

Name	Capacity/Nature of Interest ⁽¹⁾	Number of Shares held	Approximate percentage of shareholding interest
Mr. Dong	Interested in a controlled corporation ⁽²⁾ Interest of spouse ⁽³⁾	325,537,469	65.11%
Ms. Gao	Interested in a controlled corporation ⁽⁴⁾ Interest of spouse ⁽⁵⁾	325,537,469	65.11%
Mr. Yang	Interested in a controlled corporation ⁽²⁾	325,537,469	65.11%
Mr. Cen	Interested in a controlled corporation ⁽⁶⁾	541,691	0.11%

Notes:

1. All interests stated are long position. This is based on the total Shares in issue as at 31 December 2022, being 500,000,000.
2. Brilliant League and Vast Ocean are wholly-owned by Mr. Dong. Mr. Dong and Mr. Yang are parties acting in concert. Highland Triumph is wholly-owned by Mr. Yang. Thus, Mr. Dong, Mr. Yang, Brilliant League, Vast Ocean and Highland Triumph are all deemed to be interested in 325,537,469 Shares held by Brilliant League, Vast Ocean and Highland Triumph.
3. Mr. Dong is the spouse of Ms. Gao, and Mr. Dong is thus deemed to be interested in the Shares held by Ms. Gao.
4. Able2shine Limited is wholly-owned by Ms. Gao, and Ms. Gao is thus deemed to be interested in 3,639,700 Shares held by Able2shine Limited.
5. Ms. Gao is the spouse of Mr. Dong, and Ms. Gao is thus deemed to be interested in the Shares held by Mr. Dong.
6. Global Digital Adc Limited is wholly-owned by Mr. Cen, and Mr. Cen is thus deemed to be interested in 541,691 Shares held by Global Digital Adc Limited.

REPORT OF THE DIRECTORS

(ii) Interest in associated corporations

Name	Name of associated corporation	Capacity/Nature	Percentage of interest
Mr. Dong	BRILLIANT LEAGUE LIMITED	Beneficial owner	100%
	VAST OCEAN LIMITED	Beneficial owner	100%
Mr. Yang	HIGHLAND TRIUMPH LIMITED	Beneficial owner	100%
Ms. Gao	Able2shine Limited	Beneficial owner	100%
Mr. Cen	Global Digital Adc Limited	Beneficial owner	100%

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be 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 have taken or are deemed to have taken under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year ended 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, according to the register kept by the Company under Section 336 of SFO and so far as was known to the Directors, the following persons (otherwise than in the capacity of the Director or chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity/ Nature of Interest ⁽¹⁾	Number of Shares	Approximate percentage of shareholding interest
BRILLIANT LEAGUE LIMITED	Beneficial interest and interest held jointly with other person ⁽²⁾	325,537,469	65.11%
VAST OCEAN LIMITED	Interest held jointly with other person ⁽²⁾	325,537,469	65.11%
HIGHLAND TRIUMPH LIMITED	Beneficial interest and interest held jointly with other person ⁽²⁾	325,537,469	65.11%
Ms. WU Cheng	Interest of spouse ⁽³⁾	325,537,469	65.11%

REPORT OF THE DIRECTORS

Notes:

1. All interests stated are long position. This is based on the total Shares in issue as at 31 December 2022, being 500,000,000.
2. Brilliant League and Vast Ocean are wholly-owned by Mr. Dong. Mr. Dong and Mr. Yang are parties acting in concert. Highland Triumph is wholly-owned by Mr. Yang. Thus, Mr. Dong, Mr. Yang, Brilliant League, Vast Ocean and Highland Triumph are all deemed to be interested in 325,537,469 Shares held by Brilliant League, Vast Ocean and Highland Triumph.
3. Ms. Wu Cheng is the spouse of Mr. Yang, and Ms. Wu Cheng is thus deemed to be interested in the Shares held by Mr. Yang.

Save as disclosed above, as at 31 December 2022, according to the register kept by the Company under Section 336 of the SFO and so far as were known to the Directors, there was no other person (otherwise than in the capacity of the Director or chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022 and up to the date of this annual report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

The Group has not conducted any non-exempt continuing connected transaction for the year ended 31 December 2022. Details of related party transactions of the Group for the year ended 31 December 2022 are set out in note 30 to the consolidated financial statements in this annual report. The related party transactions disclosed in note 30 were not regarded as connected transactions and were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules is set out below:

Mr. LIU Kin Wai, independent non-executive Director of the Company, was appointed as independent non-executive Director of Wine's Link International Holdings Limited (stock code: 8509) on 1 March 2023, the shares of which is listed on the Stock Exchange.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

During the year ended 31 December 2022, no charitable and other donations was made by the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 44 to 60 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code.

Having made specific enquiry with all the Directors, each of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2022.

USE OF NET PROCEEDS FROM SHARE OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 11 November 2020 with net proceeds from the Share Offer (after deducting underwriting commissions and relevant expenses payable by the Company) amounting to approximately HK\$86.0 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Net proceeds from the Share Offer have been, and will be, utilised in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds and actual usage up to 30 March 2023:

Use of proceeds		Planned allocation of Net Proceeds <i>HK\$ million</i>	Planned allocation of Net Proceeds ⁽²⁾ <i>RMB million</i>	Utilised amount (as at 30 March 2023) <i>RMB million</i>	Unutilised amount (as at 30 March 2023) <i>RMB million</i>	Expected timeline for utilising the remaining balance of net proceeds from the Share Offer ⁽¹⁾
Expansion of the Group's intermediary services	64.9%	55.8	47.7	47.7	–	N/A
Expansion of the Group's marketing, customer services and design teams	21.3%	18.3	15.7	15.7	–	N/A
Enhancement of the information technology and DMP systems of the Group	10.5%	9.0	7.7	7.7	–	N/A
The Group's general working capital	3.3%	2.9	2.5	2.5	–	N/A
Total	100.0%	86.0	73.6	73.6	–	

REPORT OF THE DIRECTORS

Notes:

- (1) The expected timeline for utilizing the remaining balance of net proceeds is based on the best estimation of the market conditions made by the Group.
- (2) Net proceeds from the Share Offer were received in Hong Kong dollars and translated to Renminbi for application planning. The plan was adjusted slightly in light of the fluctuation of exchange rates since the Share Offer.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed “Management Discussion and Analysis”, no important events affecting the Company occurred since the year ended 31 December 2022 and up to the date of publication of this annual report.

AUDITOR

PricewaterhouseCoopers has been appointed as auditor of the Company for the year ended 31 December 2022.

PricewaterhouseCoopers shall retire in the AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as independent auditor of the Company will be proposed at the AGM.

On behalf of the Board

DONG Hui

Chairman, Chief Executive Officer and Executive Director

Shenzhen, PRC, 30 March 2023

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

CORPORATE STRATEGY AND CULTURE

The Group positions itself as one of China's leading expert in mobile internet marketing technology and solutions by staying true to its vision of "delivering more value to businesses". In order to accomplish its mission of "assisting Chinese enterprises in completing the digital transformation of their businesses", the Board regularly reviews and drives improvements in the Company's development strategies to ensure that its corporate culture is consistent with the company's strategies, values and plans, whilst being adaptive to the macroeconomic environment and development trends.

In the ever-changing mobile Internet industry, the Group regards and embraces technology as its core competitiveness, and with talent being deemed an important asset of the Group, great importance is attached to its attraction, retention and development. Thus, the Group strives to adhere to a long-term talent strategy, and has in place comprehensive staff development and incentive systems, as well as a comprehensive staff training system, as regularly optimised. During the year under review, in addition to regular staff training, the Group also launched special training programs such as "Internal Instructor Certification Activities" (內部講師認證活動) and "Talent Gathering Program" (聚能計劃). At the same time, the Group also actively encourages its employees to participate in external training programs organised by its in-depth partners.

The Group advocates the business philosophy of "seeing changes, embracing changes, and leading changes", and encourages colleagues from top to bottom to always pay heed to the iterative updates of peripheral technologies and business environment so as to continuously enhance its competitiveness, and spearhead the healthy, orderly and long-term development of the internet economy through the delivery of more advanced technologies and better service quality. Contemporaneously, the Group operates its business in accordance with the law and in an ethical and responsible manner, whilst fulfilling its social responsibility in promoting coordinated and sustainable economic, social and environmental development.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. Save for the deviation disclosed below, in the opinion of Directors, the Company has complied with all the code provisions as set out in the CG Code during the year ended 31 December 2022.

Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2022, only three regular board meetings were held to review and discuss the annual results, the interim results and the approval on the grant of award pursuant to share award scheme. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary.

Pursuant to code provision C.2.1 of the CG Code, the roles of both the Chairman and chief executive officer should be separate and should not be performed by the same individual.

CORPORATE GOVERNANCE REPORT

Mr. Dong was appointed as chief executive officer and has also assumed his responsibilities as Chairman, as well as being the chairman of the Nomination Committee. Throughout the business history of the Company, Mr. Dong has been the key leadership figure of the Group, and being primarily involved in the strategic development, overall operational management and major decision making of the Group. Taking into account the need for continued implementation of the Company's business plans, the Directors consider that at the current stage of development of the Group, vesting the roles of both Chairman and the chief executive officer in Mr. Dong is beneficial to, and in the interests of the Company and its shareholders as a whole. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

THE BOARD OF DIRECTORS

Responsibilities

The Board of the Company is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Nomination Committee, the Remuneration Committee and the Audit Committee (together, the **"Board Committees"**). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises seven Directors, including four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. DONG Hui (*Chairman & Chief Executive Officer*)
Mr. YANG Dengfeng
Ms. GAO Yuqing
Mr. CEN Senhui

Independent non-executive Directors:

Mr. LIU Kin Wai
Mr. WEI Hai Yan
Mr. ZHANG Fanchen

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them has satisfied his independence to the Group.

Mr. DONG Hui is the spouse of Ms. GAO Yuqing (Executive Director of the Company) and Mr. Dong and Mr. YANG Dengfeng (Executive Director of the Company) are parties acting in concert. Save as disclosed in the above, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

ANALYSIS OF THE DIVERSITY OF THE BOARD

The Board has a balanced mix of directors from different industries and with varied professional backgrounds, having diverse experience, knowledge and expertise, whom collectively as a group provides such balanced views and opinions which are beneficial to the Group and its shareholders as a whole.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant laws, rules and regulations.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Pursuant to code provision C.1.4 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

CORPORATE GOVERNANCE REPORT

Below is the record of participation in continuous professional development programme by the Directors during the year ended 31 December 2022 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ forums	Reading materials
Executive Directors		
Mr. DONG Hui	✓	✓
Mr. YANG Dengfeng	✓	✓
Ms. GAO Yuqing	✓	✓
Mr. CEN Senhui	✓	✓
Independent Non-executive Directors		
Mr. LIU Kin Wai	✓	✓
Mr. WEI Hai Yan	✓	✓
Mr. ZHANG Fanchen	✓	✓

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company on 16 October 2020 for an initial term of three years which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement by rotation and re-election at the annual general meetings of the Company in accordance with the amended and restated memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of the independent non-executive Directors entered into an appointment letter with the Company on 16 October 2020 (except Mr. ZHANG Fanchen who entered into an appointment letter with the Company on 8 October 2021) which may be terminated by either party giving not less than one month prior notice in writing or paying equal amounts of payment in lieu of notice and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Memorandum and Articles of Association or any other applicable laws from time to time whereby he/she shall vacate his/her office.

None of the Directors has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Memorandum and Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years; any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting of Company after his/her appointment and be eligible for re-election at such meeting.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Memorandum and Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, monitoring the appointment or re-appointment of Directors and succession planning for Directors.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are dispatched to the Directors or committee members seven days (and in any event not less than three days) before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised on the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held during the year ended 31 December 2022 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
No. of meetings held during the year	3	1	2	2	1
Executive Directors					
Mr. DONG Hui	3/3	1/1	–	–	1/1
Mr. YANG Dengfeng	3/3	–	2/2	–	1/1
Ms. GAO Yuqing	3/3	–	–	–	1/1
Mr. CEN Senhui	3/3	–	–	–	1/1
Independent non-executive Directors					
Mr. LIU Kin Wai	3/3	–	2/2	2/2	1/1
Mr. WEI Hai Yan	3/3	1/1	–	2/2	1/1
Mr. ZHANG Fanchen	3/3	1/1	2/2	2/2	1/1

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code.

Having made specific enquiry with all the Directors, each of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2022.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have resource to seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

CORPORATE GOVERNANCE FUNCTION

The Board delegated the Company's corporate governance functions to the Audit Committee to perform the following corporate governance duties:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

The Board approved the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2022 are set out in note 31 to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed “Directors and Senior Management” in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended 31 December 2022 fell within the following bands are as follows:

Remuneration Band	No. of employees
Nil to HKD1,000,000	1

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was established on 16 October 2020 and written terms of reference of the Nomination Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Nomination Committee comprises one executive Director, namely Mr. DONG Hui and two independent non-executive Directors, namely Mr. WEI Hai Yan and Mr. ZHANG Fanchen. Mr. DONG Hui is currently serving as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include:

- reviewing the structure, size, composition and diversity of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- determining the policy for the nomination of Directors;
- identifying individuals suitably qualified to become members of the Board;
- selecting or making recommendations to the Board on the individuals nominated for directorship;
- assessing the independence of Independent non-executive Directors;
- reviewing the Board Diversity Policy;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- performing other duties incidental to the duties of the Committee delegated as appropriate by the Board or as stipulated in the CG Code from time to time.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

- reviewed the structure, size, composition and diversity of the Board;
- recommended to the Board on the appointment or re-appointment of directors at the forthcoming annual general meeting;
- reviewed the Board Diversity Policy; and
- assessed the independence of independent non-executive directors.

Nomination Policy

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy. When making recommendations regarding the appointment of directors or re-appointment of directors, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- Reputation for integrity;
- Accomplishment, experience and reputation in the business and industry;
- Commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;
- Compliance with the criteria of independence, in case for the appointment of an independent non-executive director, as prescribed under Rule 3.13 of the Listing Rules; and
- Any other relevant factors as may be determined by the Committee or the Board from time to time as appropriate.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for Shareholders' nomination of any proposed candidate for election as a Director are stated in "Procedures for a Shareholder of Bright Future Technology Holdings Limited to Propose a Person for Election as a Director" and disclosed in the Company's website.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

With a view to enhancing the effectiveness of the Board and maintaining high standard of corporate governance, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. Appointments of members of the Board will be based on merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. As at the date of this Annual Report, the Board comprises seven Directors, one of whom is female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved. The Board targets to maintain the current level of at least one female representation on the Board. The Board will continue review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suits the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from management, shareholders and advisors of the Company, or internal promotion, with regarding to the range of diversity perspectives set forth in the Board Diversity Policy.

During the year ended 31 December 2022, there was no change in the board structure, however, the Nomination Committee has reviewed the board diversity policy from time to time to ensure its continued effectiveness.

Remuneration Committee

The Remuneration Committee was established on 16 October 2020 and the revised written terms of reference of the Remuneration Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of one executive Director, namely Mr. YANG Dengfeng and two independent non-executive Directors, namely Mr. LIU Kin Wai and Mr. ZHANG Fanchen. Mr. ZHANG Fanchen is currently serving as the chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

The primary duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibility and employment conditions elsewhere in the Company and its subsidiaries;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment;
- reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct; and
- ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the year ended 31 December 2022, the Remuneration Committee held two meetings during which the Remuneration Committee has performed the following major works:

- reviewed the Company's policy and structure for all Directors and senior management remuneration (including salaries paid based on business performance);
- considered and recommended to the Board on the remuneration packages of executive Directors and senior management for the year ended 31 December 2022;
- considered and recommended to the Board on the remuneration packages of independent non-executive Directors for the year ended 31 December 2022; and
- considered and recommended to the Board on the grant of award pursuant to share award scheme to Global Digital Adc Limited, wholly-owned by Mr. Cen Senhui and Able2shine Limited, wholly-owned by Ms. Gao Yuqing.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee was established on 16 October 2020 and written terms of reference of the Audit Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of three independent non-executive Directors, namely Mr. LIU Kin Wai, Mr. WEI Hai Yan and Mr. ZHANG Fanchen with Mr. LIU Kin Wai possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. LIU Kin Wai is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- developing and implementing policy on engaging an external auditor to supply non-audit services;
- discussing with the external auditor the nature and scope of the audit and relevant reporting obligation;
- monitoring the integrity of the Company's financial statements and annual reports and accounts, half-year reports and reviewing significant financial reporting judgments contained therein;
- reviewing the Company's financial controls, risk management and internal control systems;
- ensuring co-ordination between the internal and external auditors;
- reviewing the Group's financial and accounting policies and practices;
- reporting to the Board on the matters set out above; and
- performing the corporate governance functions delegated by the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the Audit Committee held two meetings and the Auditor Committee has performed the following major works:

- considered and recommended to the Board on the approval of the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021;
- considered and recommended acceptance of the audit committee report prepared by PricewaterhouseCoopers for the year ended 31 December 2021;
- considered and evaluated the management system adopted by the Group for internal, financial and risk management and internal control procedures;
- considered and evaluated whether the external auditor is independent and objective and whether the audit procedures are effective, the re-appointment and remuneration of the external auditor (subject to shareholders' approval), and make a proposal to the Board; and
- considered and recommended to the Board on the approval of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2022 and in ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 61 to 65 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is exposed to various risks during the operations. The Group has implemented various policies and procedures (as updated from time to time) to ensure effective risk management at each aspect of its operations, including the administration of daily operations, financial reporting and recording, fund management, compliance with applicable laws and regulations.

The Board oversees and manages the overall risks associated with its operations, and has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee are responsible for reviewing and supervising the financial reporting process and internal control system of the Group.

CORPORATE GOVERNANCE REPORT

The Group is dedicated to the establishment and maintenance of a robust internal control system. The Group has adopted and implemented risk management policies and corporate governance measures in various aspects of the business operations such as financial reporting, information risk management, legal compliance and intellectual property rights management and human resources management.

The Audit Committee and senior management monitor the implementation of the risk management policies across the Group on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in the operations.

The main thrust of the Group's risk management and internal control systems is its ability to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and to timely manage risks by appropriate risk responses and mitigation strategies. Thus, the Group strives to keep abreast of and actively monitor the ongoing compliance with the relevant laws and regulations that govern business operations and oversee the implementation of any necessary measures. In addition, the Group plans to provide Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, the Group have adopted a set of internal rules and policies governing the conduct of employees, and has established a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that employees comply with the Group's internal rules and policies as well as the applicable laws and regulations. For example, the management is responsible for conducting a fraud and bribery risk assessment on an annual basis and the Audit Committee reviews and approves annual risk assessment results and policies. The Group has also identified certain forbidden conduct in internal anti-bribery and anticorruption policies, including, among others, the prohibition to acceptance of bribes or rebates, embezzlement or misappropriation of the assets, and forgery or alteration of accounting records.

The Group offers compulsory training courses to new employees and continuing training to existing employees to enhance their knowledge and awareness of the relevant rules and regulations. The Group also keeps abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements in light of the evolving nature of the mobile advertising business.

During the year ended 31 December 2022, the Audit Committee reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

The Board believes that there are no material internal control deficiencies that may affect the shareholders of the Company and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Audit Committee and senior management together monitor the implementation of risk management policies on an ongoing basis to ensure the policies and the implementation of which are effective and sufficient.

CORPORATE GOVERNANCE REPORT

Whistleblowing Policy and Anti-corruption

The Group fully acknowledges the importance of anti-corruption and whistle-blowing policies to good corporate governance.

Since its inception, the Group has formulated a strict anti-corruption policy which are in compliance with the prevailing anti-corruption laws and regulations where its business operations and units are located, which covers aspects such as conflicts of interest, gifts and entertainment, discrimination and sexual harassment, company property, etc. Accordingly, a special e-mail account was set up by the Group for receiving whistleblowing reports, with employees being encouraged to report violations in a secure and confidential manner. A special team was also formed by the Group to verify and investigate the whistleblowing reports and, where necessary, employ legal measures. The Group treats the information of the whistleblower as strictly confidential and will incentivise them with cash rewards.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the total remuneration paid or payable to the Company's auditors, PricewaterhouseCoopers, for annual audit and non-audit services were approximately RMB1,803,000 and Nil respectively.

The Board and the Audit Committee have agreed on the re-appointment of PricewaterhouseCoopers as the external auditor of the Group for the year ending 31 December 2023 and the proposal will be submitted for approval at the annual general meeting to be held on around 19 May 2023.

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and Mr. TSO Ping Cheong Brian has been appointed as the Company Secretary of the Company since the Listing. Mr. Tso has assisted on the company secretarial matters of the Company. The primary contact person in the Company for Mr. Tso in relation to corporate secretarial matters is Ms. Wu Yang, the Chief financial officer of the Company. For the year ended 31 December 2022, Mr. Tso had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training. Since Mr. Tso is an external service provider, Mr. Dong Hui, the Chief Executive Officer, would be the person at the Company whom Mr. Tso can contact according to code provision C.6.1 of the code.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables the Shareholders and investors to make the best investment decision. The Company believes the effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.btomorrow.cn as a communication platform with Shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the Shareholders, Board members, in particular, either the chairmen of Board Committees or their delegates, appropriate management executives and external auditors (as the case may be) will be available at the meeting to answer any questions raised by the Shareholders.

The Company has also established a shareholders communication policy to ensure the Shareholders are provided with timely information about the Company. The policy is regularly reviewed to ensure its effectiveness.

CORPORATE GOVERNANCE REPORT

The Group founded an investor relations function position, with fostering relationship between the Group and its investors and shareholders, providing them with the requisite information and services, responding to their various enquiries in a timely manner, and maintain active and timely communication with them being among his/her main responsibilities.

With a view to enhance investors' understanding of the Group, the Group actively communicates with its investors through various channels, including emails, online results conferences, online brokerage seminars, investor conference calls and company research, etc. During regular and ad hoc online meetings, relevant information and data is provided by the Group's management directly to media reporters, securities analysts, fund managers and investors, etc., whilst their queries are being met timely with full and accurate responses.

Meanwhile, the Group's website and official account are also constantly updated to provide investors and the public with the latest information on all aspects of the Group.

SHAREHOLDERS' RIGHTS

Procedures for the convening of an Extraordinary General Meeting by Shareholders and putting forward proposals and procedures

Under the Memorandum and Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition of one or more Shareholders holding not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. The Shareholder(s) shall make a written requisition to the Board or the company secretary at the Company's principal place of business in Hong Kong, specifying the shareholding information of the shareholder(s), his/her/its contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, 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.

Making enquiries to the Board

The Shareholders shall direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy to provide a general guide to the Group's Directors, officers, senior management and relevant employees on handling confidential information, monitoring of information disclosure and responding to queries, to ensure that information of the Company is disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Group has executed supervision programs to confirm the strict prohibition from unauthorised access to and use of inside information.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company adopted a dividend policy on 23 March 2021. Pursuant to the Company's dividend policy, the dividend payout ratio shall be determined by the Board from time to time. The remaining net profit will be used for the Group's operations and development. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

- (a) the Company's current and future operations, actual and expected financial performance;
- (b) any corporate development plans;
- (c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;
- (d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;
- (e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;
- (f) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- (h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and any declaration of final dividend for a financial year will be subject to the approval of the shareholders of the Company. The declaration and payment of dividends is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations, including the Listing Rules, and the Memorandum and Articles of Association of the Company.

STAFF DIVERSITY

The Group had a workforce of 215 employees as of 31 December 2022. Among them, approximately 56.7% of the workforce (including senior management) were female, and 100% of the Group's senior management positions (excluding Directors) were held by female. The Group considers the total diversity (including gender diversity) of the Group is balanced as a whole and intends to maintain a similar level of gender diversity of the overall workforce, and will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association has been adopted by the Company by way of passing of a special resolution at the AGM held on 20 May 2022, a copy of which is available on the websites of the Company (www.btomorrow.cn) and the Stock Exchange (www.hkexnews.hk).

CORPORATE GOVERNANCE REPORT

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) REPORT

Disclosures relating to the material ESG issues identified for the year ended 31 December 2022 will be included in the ESG Report pursuant to the requirements of Appendix 27 to the Listing Rules to be published separately. The ESG Report will be available on the Company’s website at <https://www.btomorrow.cn/> under the “Investor Relations” section; or Hong Kong Exchanges and Clearing Limited’s website at www.hkexnews.hk.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bright Future Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Bright Future Technology Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 66 to 126, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT

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.

The key audit matter identified in our audit is revenue recognition for intelligent marketing solution services.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for intelligent marketing solutions services	We have performed the following procedures to address this key audit matter:
Refer to Note 4(a) and Note 6 to the consolidated financial statements.	
For the year ended 31 December 2022, the Group recognised revenue of RMB443,400,000 from provision of intelligent marketing solutions services, of which RMB416,958,000 is recognised on gross basis, and RMB26,442,000 is recognised on net basis.	
The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account of the nature of specified services and whether the Group controls the specified services before it is transferred to customer. The indicators that an entity controls the specified good or service before it is transferred to the customer include but not limited to (a) the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) the entity bears certain inventory risk, (c) the entity has discretion in establishing price and (d) the entity has discretion in selecting suppliers.	• We understood, evaluated and tested, on a sample basis, the key controls in place over management's assessment of whether the Group acts as a principal or an agent in the transactions ("principal-agent assessment"), including management's approval and review of sales contracts. • We discussed with management, understood the business models and the indicators used in principal-agent assessment under different circumstances. We evaluated the appropriateness of both accounting policies and principal-agent assessment under different circumstances for each indicator. • We, on a sample basis, obtained and tested the supporting evidences for each indicator that the management considered in the principal-agent assessment. The supporting evidences include but not limited to contracts with customers and reports generated from data management platform which manages advertisement creation and placement, in order to assess whether the Group is primarily responsible for fulfilling the promise to provide the specified service, has discretion in selecting suppliers, establishes price and bears certain inventory risks. • We performed overall evaluation on the appropriateness of the judgement made by the management and considered the weight of the indicators for principal-agent assessment in revenue recognition.

We focused on this area due to the significant judgements involved in determining the Group's role as a principal or an agent in the arrangements of intelligent marketing solutions services with customers, which will impact the presentation of revenue and related costs in the consolidated statement of comprehensive income.

Based on the procedures performed, the judgements made by management for principal-agent assessment on revenue from intelligent marketing solutions services were supportable by the evidences we obtained.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 Audit Committee is responsible for overseeing the Group's financial reporting process.

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. We report our opinion solely to you, as a body, in accordance with our agreed terms of agreement, 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 HKSAAs 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism 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.

INDEPENDENT AUDITOR'S REPORT

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

From the matters communicated with the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Yee Mau.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	6	443,494	488,028
Cost of services	7	(410,069)	(390,565)
Gross profit		33,425	97,463
Selling and distribution expenses	7	(4,659)	(2,334)
General and administrative expenses	7	(48,101)	(93,456)
Net impairment losses on financial assets	18	(220)	(874)
Other gains, net	8	6,390	17,002
Operating (loss)/profit		(13,165)	17,801
Finance income	10	618	273
Finance costs	10	(3,125)	(5,548)
Finance costs – net		(2,507)	(5,275)
(Loss)/profit before income tax		(15,672)	12,526
Income tax expense	11	(6,760)	(29,781)
Loss for the year		(22,432)	(17,255)
Other comprehensive (loss)/income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(5,392)	1,806
<i>Items that may not be reclassified to profit or loss</i>			
Currency translation differences		2,269	(1,909)
Changes in the fair value of financial assets at fair value through other comprehensive income		(368)	–
Total comprehensive loss for the year		(25,923)	(17,358)
Loss is attributable to:			
Owners of the Company		(22,432)	(17,255)
Total comprehensive loss is attributable to:			
Owners of the Company		(25,923)	(17,358)
Losses per share for loss attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	12	(4.69)	(3.50)

The notes on pages 70 to 126 are an integral part of these consolidated financial statements. Details of dividends to owners of the Company are set out in Note 13.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	3,220	7,548
Intangible assets	15	1,651	–
Deposits and prepayments	18	10	808
Deferred income tax assets	19	551	414
Financial assets at fair value through other comprehensive income	16	1,392	–
Total non-current assets		6,824	8,770
Current assets			
Trade receivables	18	181,197	333,691
Deposits, prepayments and other receivables	18	90,205	124,480
Restricted cash	20	5,951	–
Cash and cash equivalents	20	74,030	116,379
Total current assets		351,383	574,550
Total assets		358,207	583,320
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	37,310	41,000
Lease liabilities	24	106	1,950
Deferred income tax liabilities	19	18,455	21,237
Total non-current liabilities		55,871	64,187
Current liabilities			
Trade payables	22	12,076	118,586
Other payables and accruals	23	29,978	20,957
Dividend payable		1,523	–
Loans from related parties	30(b)(i)	88,926	–
Bank borrowings	21	2,460	41,102
Lease liabilities	24	1,251	2,676
Contract liabilities	6	17,800	23,995
Current income tax liabilities		16,793	16,222
Total current liabilities		170,807	223,538
Total liabilities		226,678	287,725
EQUITY			
Share capital	25	42,607	42,607
Reserves	26	112,771	110,679
(Accumulated losses)/retained earnings		(23,849)	142,309
Total equity		131,529	295,595
Total equity and liabilities		358,207	583,320

The notes on pages 70 to 126 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 66 to 126 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Dong Hui
Director

Yang Dengfeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital	Reserves	(Accumulated losses)/ retained earnings	Total equity
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000
Balance at 1 January 2022	42,607	110,679	142,309	295,595
Loss for the year	–	–	(22,432)	(22,432)
Currency translation differences	–	(3,123)	–	(3,123)
Changes in the fair value of financial assets at fair value through other comprehensive income	–	(368)	–	(368)
Total comprehensive loss for the year	–	(3,491)	(22,432)	(25,923)
Transactions with owners:				
Employee share schemes-value of employee services	–	3,718	–	3,718
Dividend (Note 13)	–	–	(141,861)	(141,861)
Appropriation for surplus reserve	–	1,865	(1,865)	–
Balance at 31 December 2022	42,607	112,771	(23,849)	131,529
Balance at 1 January 2021	42,607	92,282	159,564	294,453
Loss for the year	–	–	(17,255)	(17,255)
Other comprehensive loss	–	(103)	–	(103)
Total comprehensive loss for the year	–	(103)	(17,255)	(17,358)
Transactions with owners:				
Employee share schemes-value of employee services	–	39,126	–	39,126
Repurchase of shares	–	(20,626)	–	(20,626)
Balance at 31 December 2021	42,607	110,679	142,309	295,595

The notes on pages 70 to 126 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	28	79,309	64,084
Interest received		618	273
Income taxes paid		(9,108)	(2,360)
Net cash generated from operating activities		70,819	61,997
Cash flows from investing activities			
Proceeds from sale of financial assets at fair value through profit or loss		184,222	67,625
Proceeds from repayment of loans to related parties		–	2,580
Payments for purchase of property, plant and equipment		(139)	(2,308)
Payments for purchase of financial assets at fair value through profit or loss		(183,500)	(67,500)
Payments for acquisition of financial assets at fair value through other comprehensive income		(1,760)	–
Payments for loans to directors	30(b)	–	(4,500)
Payments for loans to employees		(2,687)	(8,500)
Net cash used in investing activities		(3,864)	(12,603)
Cash flows from financing activities			
Proceeds from bank borrowings		30,000	166,551
Loans from related parties		56,242	29,100
Repayment of bank borrowings		(72,332)	(159,449)
Repayment of loans from related parties	30(b)	–	(36,600)
Payments of principal elements of lease payments		(3,362)	(3,518)
Interest paid of bank borrowings and lease		(3,125)	(5,548)
Changes in restricted cash		(5,951)	–
Dividend paid	13	(107,655)	–
Repurchase of shares	26(c)	–	(20,626)
Net cash used in financing activities		(106,183)	(30,090)
Net (decrease)/increase in cash and cash equivalents		(39,228)	19,304
Cash and cash equivalents at beginning of the year		116,379	97,177
Effects of exchange rate changes on cash and cash equivalents		(3,121)	(102)
Cash and cash equivalents at end of the year	20	74,030	116,379

The notes on pages 70 to 126 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

Bright Future Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 8 November 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 11 November 2020.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of intelligent marketing solutions services in the People’s Republic of China (the “PRC”). The controlling shareholders of the Group are Mr. Dong Hui (“Mr. Dong”) and Mr. Yang Dengfeng (“Mr. Yang”) (together the “Controlling Shareholders”).

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated, and have been approved for issue by the Board of Directors of the Company on 30 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The Group has applied all the new and amended standards that effective for the financial period beginning on 1 January 2022. The adoption of these new and revised standards does not have any material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing the consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 4	Extension of the temporary exemption from applying HKFRS 9	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16	Lease liability in a sales and leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK Interpretation 5 (2020)	Presentation of financial statement – classification by the borrower of a term loan that contains a repayment on demand clause	Applied when an entity applies Amendments to HKAS 1

The Group has already commenced an assessment of the impact of these new and amendments to standards and interpretation which are relevant to the Group's operation. The Group considers that the application of these new and amendments to standards and interpretation is unlikely to have a material impact on the Group's financial position and performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Business combinations

The Group applies the acquisition method to account for business combinations except for business combination under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interest issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previously held equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combinations *(Continued)*

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Consolidated financial statements is presented in RMB, which is the Company's and the Group's presentation currency. The Company's functional currency is Hong Kong Dollars ("HKD").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical costs less depreciation. Historical costs includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and right-of-use assets – leased properties, the shorter lease term as follows:

- Furniture and fixtures 5 years
- Electronic equipment 3 years
- Motor vehicles 4 years
- Leasehold improvements Shorter of estimated useful lives or remaining lease term
- Right-of-use assets – leased properties Shorter of assets' useful life or the lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property, plant and equipment *(Continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

2.8 Intangible assets

(a) Software and database

Software and database arise in a business combination are measured at their acquisition-date fair values.

Costs associated with maintaining software and database are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software and database controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software or database so that it will be available for use;
- management intends to complete the software or database, and use or sell it;
- there is an ability to use or sell the software or database;
- it can be demonstrated how the software or database will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software or database are available; and
- the expenditure attributable to the software or database during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software or database include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Research and development expenditures

Research and development expenditures that do not meet the criteria in (a) above are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in subsequent period.

(c) Amortisation method and period

The Group amortises intangible assets using the straight-line method over the shorter of the useful life of 5 years or license period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets (other than goodwill) that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Investments and other financial assets *(Continued)*

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.

Changes in the fair value of FVPL are recognised in "other gains, net" in profit or loss as applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Investments and other financial assets *(Continued)*

(d) Impairment

The Group has trade and other receivables which are financial assets subject to HKFRS 9's expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 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. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 18 for further information about the Group's accounting for trade and other receivables and Note 2.10(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Employee benefits *(Continued)*

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.19 Share-based payments

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement date and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Share-based payments *(Continued)*

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition

The Group provides intelligent marketing solutions services to customers in the PRC. Revenue from providing services is recognised when the services are rendered based on the specific terms of the contract.

The Group earns revenue from two different business models including (a) intelligent marketing solutions services and (b) SaaS subscription solutions services.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15. Such determination involves judgment and is based on an evaluation of the terms of each arrangement as follows:

(a) Intelligent marketing solutions services

The Group generates revenue from providing intelligent marketing solutions services, comprising of “influential placement”, “precision marketing”, and “intelligent content”, to the Group’s advertisers. The services include traffic acquisition from top media platforms (i.e. media publishers or advertising agents), content production, raw data analysis and advertising campaign optimisation. The Group charges the advertisers based on specified action such as download, installation, registration of the mobile device users (“cost per action” or “CPA”), sales of the advertisers (“cost per sales” or “CPS”), cost per download (“CPD”), cost per click (“CPC”) or cost per mille (“CPM”); and the costs charged by the media publishers or advertising agents to the Group vary based on CPA, CPS, or the monetary value of virtual tokens which are consumed for procuring advertisement inventories and based on CPD, CPC or CPM.

(i) Integrated intelligent marketing solutions services – gross method

For revenue from providing integrated intelligent marketing solutions services, while none of the factors individually are considered presumptive or determinative, the Group controls the specified service before that service is transferred to a customer and is the principal in this arrangement because: (i) The Group is primarily responsible for identifying and contracting with third-party advertisers which the Group view as customers, and delivering the specified integrated intelligent marketing solutions services to the advertisers. (ii) In some instances, the Group is subject to certain risk of loss to the extent that the cost incurred for producing contents, formulating advertisement campaign and acquiring user traffic from media publishers or advertising agents cannot be compensated by the total consideration obtained from the advertisers, which is similar to inventory risk. (iii) The Group is responsible for performing all the billing and collection activities, including retaining credit risk. Therefore, the Group reports revenue earned from the advertisers and costs paid to the media publishers or advertising agents related to these transactions on a gross basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Revenue recognition *(Continued)*

(a) Intelligent marketing solutions services *(Continued)*

(ii) Influential placement services – net method

For revenue from providing specific component (i.e. influential placement) of intelligent marketing solutions services, the Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to an advertiser, because (i) the Group does not have the latitude to select media publisher which is designated in the contract with the advertiser; (ii) the media advertisement space is not owned by the Group, and the Group does not have any commitments to purchase the advertising space, and therefore the Group does not have inventory risk; and (iii) the Group charges the advertisers based on CPC, CPD, CPT or CPM, which is the same pricing mechanism that the media publishers or advertising agents charge the Group, and measured by the monetary value of virtual tokens consumed for procuring advertisement inventories, although the Group has discretion in determining the price charged to the advertiser. Therefore, the Group determines it is the agent in the transaction based on the weight of the aforementioned factors. The Group reports the amount received from the advertisers and the amounts paid to the media publishers or advertising agents related to these transactions on a net basis.

(b) SaaS subscription solutions services

SaaS subscription solutions services revenue are primarily revenue from paid subscriptions in the application of LinkDoAI Cloud. The Group provides to users certain subscription packages offerings with certain privilege features in the application. The subscription fee for these packages is time-based and is collected upfront from subscribers. The receipt of subscription fee is initially recorded as contract liabilities and recognised as revenue ratably over the subscription period. The Group records revenue on gross basis.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Lease

The Group leases properties. Rental contracts are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.24 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group and approved by the board of directors.

(a) Market risk

(i) Foreign exchange risk

Instrument used by the Group

The Group is exposed to foreign exchange risk, primarily the HKD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The foreign currency exposure has not been hedged.

Exposure

The Group's exposure to foreign currency risk at the end of each reporting period, expressed in RMB, was as follows:

Currency denomination	Assets		Liabilities	
	As at 31 December		As at 31 December	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
HKD	302	388	45	16
USD	90	3	–	–
	392	391	45	16

As at 31 December 2022 and 2021, the impact of foreign exchange fluctuations of HKD and USD is not material as the Group's entities had no material financial assets or financial liabilities denominated in a currency that different from its functional currency and therefore no sensitivity analysis is presented for foreign exchange risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets except for the cash at banks and restricted cash (Note 20). The Group's exposure to changes in interest rates is mainly attributable to its borrowings and lease liabilities, details of which have been disclosed in Note 21 and Note 24, respectively. Liabilities carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings and lease liabilities were carried at fixed rates which does not expose the Group to cash flow interest rate risk.

(b) Credit risk

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents placed with banks, trade and other receivables, as well as investment in wealth management products recognised as financial assets at fair value through profit or loss. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and financial assets at fair value through profit or loss, the Group only transacts with state-owned or reputable financial institutions in mainland China. There has been no recent history of default in relation to these financial institutions.

The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group's management divides customers into different categories and reviews regularly the recoverable amount of receivables to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2022 and 2021, the loss allowance provision for trade receivables is disclosed in Note 18.

The expected loss rates are based on historical credit losses experience adjusted to reflect current and forward-looking information mentioned above affecting the ability of the customers to settle the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(i) Credit risk of trade receivables

For the year ended 31 December 2022, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
Expected loss rate	0.07%	0.17%	1.85%	10.68%	69.23%	100.00%	
Gross carrying amount (RMB'000)	122,610	52,780	2,542	3,400	1,459	239	183,030
Loss allowance provision (RMB'000)	83	91	47	363	1,010	239	1,833

For the year ended 31 December 2021, the expected credit losses rate of trade receivables from third parties are determined as follows:

	Current	Up to 3 months past due	3 to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
Expected loss rate	0.16%	0.50%	4.73%	10.49%	61.84%	100.00%	
Gross carrying amount (RMB'000)	218,873	86,156	30,028	810	283	371	336,521
Loss allowance provision (RMB'000)	351	427	1,421	85	175	371	2,830

(ii) Credit risk of other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Impairment on other receivables is measured as 12-month expected credit losses. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the loss allowance will be based on the lifetime expected credit loss.

Management has performed assessment on the recoverability of these balances and do not identify events leading to significant increase in credit risk since origination. In calculating the expected credit loss rates, the management considers the historical loss rates for employees, and adjusts for forward-looking macroeconomic data. The Group formulates the credit losses of other receivables using ECL models according to HKFRS 9 requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Credit risk of other receivables (Continued)

Parameters of ECL model

The parameters and assumptions involved in ECL model are described below:

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime ECL are provided respectively. The ECL is the result of discounting the product of Exposure at Default (EAD), Probability of Default (PD) and Loss given Default (LGD).

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the Lifetime. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grading band. This is supported by historical analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Credit risk of other receivables *(Continued)*

Parameters of ECL model *(Continued)*

The Group uses three stages for other receivables which reflect their credit risk and how the credit loss provision is determined for each of those categories. A summary of the assumptions underpinning the company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Stage 1 – performing	Deposits and other receivables whose credit risk is in line with original expectations	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Stage 2 – underperforming	Deposits and other receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due or adverse changes in solvency and operational capabilities. (see below in more detail)	Lifetime expected losses.
Stage 3 – non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

(ii) Credit risk of other receivables *(Continued)*

As at 31 December 2022 and 2021, the loss allowance provision for other receivables was determined as follows:

Stage	As at 31 December 2022			
	Average expected credit loss rate	Gross amount RMB'000	Impairment provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Stage 1	0.63%	26,304	(166)	26,138
Stage 3	100.00%	1,231	(1,231)	–
		27,535	(1,397)	26,138

Stage	As at 31 December 2021			
	Average expected credit loss rate	Gross amount RMB'000	Impairment provision RMB'000	Carrying amount (net of impairment provision) RMB'000
Stage 1	0.80%	22,601	(180)	22,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the senior management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
At 31 December 2022					
Bank borrowings	2,588	39,204	–	41,792	39,770
Loans from related parties	88,926	–	–	88,926	88,926
Trade payable	12,076	–	–	12,076	12,076
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	8,502	–	–	8,502	8,502
Dividend payable	1,523	–	–	1,523	1,523
Lease liabilities	1,311	68	45	1,424	1,357
	114,926	39,272	45	154,243	152,154
At 31 December 2021					
Bank borrowings	41,981	4,163	41,986	88,130	82,102
Trade payable	118,586	–	–	118,586	118,586
Other payables and accruals (excluding payroll and welfare payables and other tax payable)	2,284	–	–	2,284	2,284
Lease liabilities	2,958	1,760	275	4,993	4,626
	165,809	5,923	42,261	213,993	207,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (Note 28(c)) divided by total equity. As at 31 December 2022, the gearing ratio of the Group is 42.60% compared to the net cash position at 31 December 2021. The change in the gearing ratio mainly attributable to the dividend paid during the year ended 31 December 2022 to adjust the capital structure.

3.3 Fair value estimation

The Group's financial instruments are carried at fair value as at balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2022, the Group's assets that are measured at fair value comprised financial assets of fair value through other comprehensive income of RMB1,392,000, which was measured at level 3.

As at 31 December 2021, the Group had no financial assets measured at fair value.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

During the years ended 31 December 2022 and 2021, there was no transfer between level 1, 2 and 3 for recurring fair value measurements.

Valuation processes of the Group (Level 3)

The Group performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the Group adopts market valuation method to determine the fair value of the Group's level 3 instruments.

The components of the level 3 instruments mainly include investments in an unlisted equity. As these instruments are not traded in an active market, their fair values have been determined using market valuation method. Major assumptions used in the valuation include historical financial results, financial performance of the investee company, and market value of comparable companies, etc.

The following table presents the changes in level 3 items including investment in unlisted equity for the year ended 31 December 2022.

	Financial assets at fair value through other comprehensive income RMB'000
As at 1 January 2022	–
Additions	1,760
Changes in fair value	(368)
As at 31 December 2022	1,392

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

Description	Fair value at 31 December 2022 RMB'000	Unobservable inputs	Range of input at 31 December 2022	Relationship of unobservable inputs to fair value
Investments in unlisted equity securities included in financial assets at FVOCI	1,392	Price-to-sales ratio	0.35X	Increasing the price-to-sales ratio by 5% would decrease the fair value by RMB70,000 approximately; and decreasing the price-to-sales ratio by 5% would increase the fair value by RMB70,000 approximately

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

If the fair values of financial assets at FVOCI held by the Group had been 10% higher/lower, the total comprehensive loss for the year ended 31 December 2022 would have been approximately RMB139,000 higher/lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

(a) Gross versus net assessment in revenue recognition

As disclosed in Note 2.21, the Group provides intelligent marketing solutions services to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. 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 entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified 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 different circumstances.

(b) Impairment for trade receivables

Management assesses the impairment of trade receivables according to the trade receivables' aging, management's prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognised. The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the provision for impairment and the carrying values of the trade receivables.

(c) Current and deferred income taxes

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 SEGMENT INFORMATION

The Group is principally engaged in the provision of intelligent marketing solutions services in the PRC. For the purpose of resources allocation and performance assessment, the CODM focuses on the operating results of the Group as a whole. As a result, the CODM considers that the Group's business is operated and managed as a single reportable segment and accordingly no segment information is presented.

6 REVENUE

Revenue comprises of proceeds from providing intelligent marketing solutions services and SaaS subscription solutions services. The analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 was as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Intelligent marketing solutions services		
– Integrated intelligent marketing solutions services – gross method	416,958	426,515
– Influential placement services – net method	26,442	60,612
– Intelligent livestreaming services – net method	–	769
SaaS subscription solutions services	94	132
Total	443,494	488,028

The timings of revenue recognition by category is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At a point in time	443,400	487,896
Over time	94	132
Total	443,494	488,028

The Group has concentration of risk from a major customer as the customer contributed to approximately 18% and 22% of the Group's total revenue for the years ended 31 December 2022 and 2021, respectively.

As at 31 December 2022 and 2021, the trade receivables from the aforesaid major customer amounted to approximately RMB53,515,000 and RMB67,035,000, representing approximately 30% and 19% respectively of the Group's total trade receivables.

During the years ended 31 December 2022 and 2021, the incremental costs incurred to obtain contracts was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 REVENUE *(Continued)*

(a) Contract liabilities

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract liabilities	17,800	23,995

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

The revenue recognised in the current reporting period relates to the contract liabilities that were included in the balance at the beginning of the year amounted to RMB20,244,000 (2021: RMB17,073,000).

(b) Transaction price allocated to unsatisfied long-term contract

The Group has no revenue contract that has an original expected duration more than one year, thus management applied practical expedient under HKFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially unsatisfied at the end of each reporting period.

(c) Assets recognised from costs to fulfil a contract

During the year ended 31 December 2022 and 2021, the incremental costs incurred to obtain contracts was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

7 EXPENSES BY NATURE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Advertising traffic costs	382,286	366,978
Employee benefit expenses (Note 9)	48,508	90,140
Consultancy and out-sourced service fees	13,895	7,373
Server charges and IT fees	5,242	4,477
Depreciation and amortisation (Notes 14 and 15)	4,890	4,604
Office expenses	2,098	4,822
Auditor's remuneration – audit service	1,803	2,400
Travelling expenses	1,068	1,105
Short-term lease expenses	750	1,422
Others	2,289	3,034
Total cost of services, selling and distribution expenses, and general and administrative expenses	462,829	486,355

Note: During the years ended 31 December 2022, the Group incurred expenses for the purpose of research and development of approximately RMB4,809,000 (2021: RMB29,657,000).

8 OTHER GAINS, NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Additional deduction of value-added tax	4,032	6,725
Government grants (Note)	1,469	10,152
Gains on disposal of financial assets at fair value through profit or loss	722	125
Gains on disposal of property, plant and equipment	167	–
	6,390	17,002

Note: Government grants represent subsidies received by the Group from the local government in the PRC. There are no unfulfilled conditions or contingencies relating to the grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages, and bonuses	36,936	42,399
Pension costs – defined contribution plans (Note)	3,973	3,462
Share-based compensation (Note 27)	3,718	39,126
Other social security costs, housing benefits and other employee benefits	3,881	5,153
	48,508	90,140

Note: Pensions – defined contribution plans

Employees of the Group companies in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage of the employee's salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees.

(a) Five highest paid individual

The five individuals whose emoluments were the highest in the Group include 4 directors for the year ended 31 December 2022 (2021: 2), and their emoluments are disclosed in Note 31. The emoluments payable to the remaining 1 individual for the year ended 31 December 2022 (2021: 3) are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonuses	711	2,790
Pension costs – defined contribution plans	35	98
Other social security costs, housing benefits and other employee benefits	35	104
Share-based compensation	–	38,240
	781	41,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) Five highest paid individual *(Continued)*

The emoluments fell within the following bands:

	Year ended 31 December	
	2022	2021
Emoluments bands:		
Nil to HKD1,000,000 (equivalent to approximately nil to RMB830,000)	1	–
HKD1,000,001 to HKD1,500,000 (equivalent to approximately RMB830,000 to RMB1,246,600)	–	1
HKD24,000,000 to HKD24,500,000 (equivalent to approximately RMB19,934,000 to RMB20,350,000)	–	2

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2022 and 2021.

10 FINANCE COSTS – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<i>Finance income</i>		
Interest income from bank deposits	618	273
<i>Finance costs</i>		
Interest expenses on bank borrowings	(2,917)	(5,145)
Interest expenses on lease liabilities	(208)	(403)
	(3,125)	(5,548)
Finance costs – net	(2,507)	(5,275)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 INCOME TAX EXPENSE

(a) Cayman Island and BVI Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(b) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any estimated assessable profit subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

(c) PRC Enterprise Income Tax ("EIT")

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general enterprise income tax rate in the PRC is 25%.

Shenzhen Bright Future Technology Company Limited ("Shenzhen Bright Future") approved as the "Software Enterprise" in 2017 and was entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, if certain requirements are met, commencing from its first profitable year. Shenzhen Bright Future also approved as the "High and New Technology Enterprise" ("HNTE") in 2018 and renewed it in 2021, and subject to a reduced preferential EIT rate of 15% for 3-year period from 2021 to 2023 according to the applicable tax preference applicable to the HNTE.

Shenzhen Lindu Technology Company Limited ("Shenzhen Lindu") approved as the "Software Enterprise" in 2017 and was entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, if certain requirements are met, commencing from its first profitable year. Shenzhen Lindu also approved as the HNTE in 2022 and subject to a reduced preferential EIT rate of 15% for 3-year period from 2022 to 2024 according to the applicable tax preference applicable to the HNTE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 INCOME TAX EXPENSE *(Continued)*

(d) PRC Withholding Tax ("WHT")

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the Mainland of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% or 5% withholding tax.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax	9,679	8,693
Deferred income tax (Note 19)	(2,919)	21,088
Income tax expense	6,760	29,781

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended 31 December 2022 and 2021, as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax expense	(15,672)	12,526
Tax calculated at the statutory PRC tax rate of 25%	(3,918)	3,132
Effects of different tax rates in other jurisdictions	1,327	1,334
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	1,773	(6,894)
Tax losses for which no deferred income tax asset was recognised	4,245	6,734
Non-deductible expenses	3,293	9,778
Super deduction of research and development expenses	(778)	(5,540)
Withholding tax on unremitted retained earnings	818	21,237
Income tax expense	6,760	29,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

12 LOSSES PER SHARE (EXPRESSED IN RMB CENTS PER SHARE) – BASIC AND DILUTED

(a) Basic losses per share

	Year ended 31 December	
	2022	2021
Loss attributable to owners of the Company (RMB'000)	(22,432)	(17,255)
Weighted average number of ordinary shares in issue (thousands)	478,273	492,362
Basic losses per share (in RMB cents)	(4.69)	(3.50)

(b) Diluted losses per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume all dilutive potential ordinary shares.

As the Group incurred loss for the years ended 31 December 2022 and 2021, the impact of employee incentive plan was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2022 and 2021 are the same as basic losses per share.

13 DIVIDENDS

A final dividend in respect of the year ended 31 December 2021 of HKD0.20 (equivalent to RMB0.16) per ordinary share, totally to HKD100,000,000, was approved by the shareholders at the annual general meeting of the Company held on 20 May 2022. This dividend was reflected on an appropriation of retained earnings for the year ended 31 December 2022.

An interim dividend of HKD0.141 (equivalent to RMB0.123) per ordinary share, totally to HKD70,500,000, was declared by the board of directors on 30 August 2022.

The Board does not recommend a final dividend for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Right-of-use assets – leased offices <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022						
Cost	637	1,892	332	2,239	12,300	17,400
Accumulated depreciation	(252)	(1,012)	(105)	(635)	(7,848)	(9,852)
Net book amount	385	880	227	1,604	4,452	7,548
Year ended 31 December 2022						
Opening net book amount	385	880	227	1,604	4,452	7,548
Additions	19	120	–	–	2,775	2,914
Disposals	(1)	(10)	–	–	(2,671)	(2,682)
Depreciation charge	(142)	(403)	(79)	(714)	(3,222)	(4,560)
Closing net book amount	261	587	148	890	1,334	3,220
At 31 December 2022						
Cost	655	1,865	332	2,239	5,133	10,224
Accumulated depreciation	(394)	(1,278)	(184)	(1,349)	(3,799)	(7,004)
Net book amount	261	587	148	890	1,334	3,220
At 1 January 2021						
Cost	587	1,238	332	635	7,533	10,325
Accumulated depreciation	(155)	(661)	(26)	(151)	(4,301)	(5,294)
Net book amount	432	577	306	484	3,232	5,031
Year ended 31 December 2021						
Opening net book amount	432	577	306	484	3,232	5,031
Additions	50	654	–	1,604	4,767	7,075
Depreciation charge	(97)	(351)	(79)	(484)	(3,547)	(4,558)
Closing net book amount	385	880	227	1,604	4,452	7,548
At 31 December 2021						
Cost	637	1,892	332	2,239	12,300	17,400
Accumulated depreciation	(252)	(1,012)	(105)	(635)	(7,848)	(9,852)
Net book amount	385	880	227	1,604	4,452	7,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of services	2,963	3,374
Selling and distribution expenses	151	77
General and administrative expenses	1,446	1,107
	4,560	4,558

15 INTANGIBLE ASSETS

	Software and database RMB'000
At 1 January 2022	
Cost	46
Accumulated amortisation	(46)
Net book amount	–
Year ended 31 December 2022	
Opening net book amount	–
Additions	1,981
Amortisation charge	(330)
Closing net book amount	1,651
At 31 December 2022	
Cost	1,981
Accumulated amortisation	(330)
Net book amount	1,651
At 1 January 2021	
Cost	539
Accumulated amortisation	(493)
Net book amount	46
Year ended 31 December 2021	
Opening net book amount	46
Amortisation charge	(46)
Closing net book amount	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVOCI comprises the following individual investment:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Equity investment in an unlisted entity	1,392	–

Movement of financial asset at FVOCI is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	–	–
Additions	1,760	–
Changes in fair value	(368)	–
At end of the year	1,392	–

Note: During the year ended 31 December 2022, the Group invested in an unlisted entity at a consideration of approximately RMB1,760,000. This company is principally engaged in Intelligent livestreaming services, technology and other Internet-related businesses.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables (Note 18(a))	181,197	333,691
Deposits, prepayments and other receivables (excluding prepayments) (Note 18(b))	28,214	32,545
Restricted cash	5,951	–
Cash and cash equivalents (Note 20)	74,030	116,379
Financial assets at fair value through other comprehensive income (Note 16)	1,392	–
	290,784	482,615
Financial liabilities		
Financial liabilities at amortised cost		
Loans from related parties (Note 30(b)(i))	88,926	–
Bank borrowings (Note 21)	39,770	82,102
Trade payables (Note 22)	12,076	118,586
Other payables and accruals (excluding payroll and welfare payables and other tax payable) (Note 23)	8,502	2,284
Lease liabilities (Note 24)	1,357	4,626
	150,631	207,598

The carrying amounts of the financial instruments approximated their fair values at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables – third parties	183,030	336,521
Loss allowance	(1,833)	(2,830)
	181,197	333,691

As at 31 December 2022 and 2021, the trade receivables were denominated in RMB.

Movements on the Group's loss allowance of trade receivables are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	2,830	2,136
Impairment provision	–	694
Reversal of Impairment provision	(997)	–
At the end of the year	1,833	2,830

The Group normally allows a credit period of 30 to 150 days to its customers. Aging analysis of the trade receivables as at 31 December 2022 and 2021, based on date of recognition, is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Aging		
Up to 3 months	136,724	220,570
3 to 6 months	38,782	37,847
6 months to 1 year	3,085	76,777
1 to 2 years	3,402	784
Over 2 years	1,037	543
	183,030	336,521

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. Details of the loss allowance provision are presented in Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

18 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Deposits, prepayments and other receivables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments to media publishers and advertising agents	62,001	92,743
Loans to employees <i>(Note)</i>	11,000	8,500
Rental and other deposits	10,303	5,682
Loan to a related party <i>(Note 30(b))</i>	2,107	1,920
Value-added tax recoverable	2,066	9,299
Others	4,135	7,324
Less: Loss allowance <i>(Note 3.1(b))</i>	(1,397)	(180)
	90,215	125,288
Less: Non-current deposits and prepayments	(10)	(808)
	90,205	124,480

Note: Loans to employees represent housing loans to certain employees (including a loan of RMB1,500,000 to a member of key management). These loans are unsecured and to be repaid in 1 year from the inception date of the loan. Loan amounted to RMB9,500,000 is interest-free and loan amounted to RMB1,500,000 bears interest rate of 3.4% per annum.

Movements on the Group's loss allowance of other receivables are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At the beginning of the year	180	–
Impairment provision	1,217	180
At the end of the year	1,397	180

(c) Net impairment losses on financial assets

Net impairment losses on financial assets recognised in the consolidated statement of comprehensive income during the year ended 31 December 2022 comprised the following:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	(997)	694
Other receivables	1,217	180
	220	874

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For the year ended 31 December 2022

19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

During the years ended 31 December 2022 and 2021, there is no offsetting of deferred income tax assets and deferred income tax liabilities. The amounts are shown on the consolidated statements of financial position as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets		
– to be recovered within 12 months	551	414
Deferred income tax liabilities		
– to be recovered within 12 months	(18,455)	(21,237)

Movement in deferred income tax assets and liabilities during the years ended 31 December 2022 and 2021 is as follows:

	Deferred income tax assets	Deferred income tax liabilities
	Allowance for doubtful debts RMB'000	Withholding tax (Note) RMB'000
At 1 January 2022	414	(21,237)
Credited/(charged) to profit or loss	137	2,782
As at 31 December 2022	551	(18,455)
At 1 January 2021	265	–
Credited/(charged) to profit or loss	149	(21,237)
As at 31 December 2021	414	(21,237)

Note: The company has received dividend distributed by a PRC subsidiary during this reporting period, amounting to RMB36,000,000. Accordingly, deferred income tax liability on WHT with the amount of RMB3,600,000 was reversed.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. The Group did not recognise deferred income tax assets of RMB11,943,000 and RMB7,698,000 in respect of accumulated tax losses amounting to RMB51,198,000 and RMB33,228,000 as at 31 December 2022 and 2021 respectively in certain of the Group's subsidiaries, which can be carried forward to offset against future taxable income, except for RMB10,076,000 and RMB7,164,000 have no expiry date, all of which will expire before 2026 and 2025 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank (a)	74,030	116,379
Restricted cash (b)	5,951	–

(a) Cash at bank are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	61,874	115,902
HKD	12,066	474
USD	90	3
	74,030	116,379

(b) Restricted cash

As at 31 December 2022, the restricted cash mainly represents the cash balance held by an employee share trust controlled and consolidated by the Company.

21 BANK BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current		
Secured bank borrowings	37,310	41,000
Current		
– Secured bank borrowings	2,460	–
– Guaranteed bank borrowings	–	41,102
	2,460	41,102
	39,770	82,102

As at 31 December 2022, the Group's bank borrowings bear interest rate of 4.3% to 5.45% (31 December 2021: 3.85% to 5.5%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21 BANK BORROWINGS (Continued)

The maturity of bank borrowings is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	2,460	41,102
Between 1 and 2 years	37,310	–
After 2 years	–	41,000
	39,770	82,102

The pledge and guarantee related to bank borrowings is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Secured by the pledge of Mr. Dong's residence and Ms. Gao's residence	39,770	41,000
Secured by the pledge of Mr. Dong's residence and guaranteed by two subsidiaries of the Company and Ms. Gao Yuqing ("Ms. Gao")	–	20,000
Secured by the pledge of Mr. Dong's residence and guaranteed by Mr. Dong and Ms. Gao	–	2
Guaranteed by Mr. Dong and Mr. Yang and a financial guarantee company	–	5,900
Guaranteed by Mr. Yang and Mr. Dong and the Company	–	10,000
Guaranteed by Mr. Dong and Mr. Yang, the Company and a financial guarantee company	–	5,200
	39,770	82,102

22 TRADE PAYABLES

The credit period granted by suppliers generally range from 30 to 150 days. The aging analysis of trade payable, based on invoice date, is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Aging		
Up to 3 months	4,228	11,453
3 to 6 months	2,416	1,923
Over 6 months	5,432	105,210
	12,076	118,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Accrued staff costs	11,850	10,877
Value-added tax and surcharge	9,626	7,796
IT service fees	5,539	–
Deposits	1,118	118
Accrued auditors' remuneration	991	1,609
Others	854	557
	29,978	20,957

24 LEASE LIABILITIES

Amounts recognised in the statements of financial position

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Lease liabilities		
Current	1,251	2,676
Non-current	106	1,950
	1,357	4,626

Interest expense in relation to the lease liabilities of RMB208,000 have been included in the finance costs for the year ended 31 December 2022 (2021: RMB403,000).

The total cash outflow from financing activities for the prepayment of lease liabilities for the years ended 31 December 2022 and 2021 were RMB3,458,000 and RMB3,921,000, and the total cash outflow from operating activities for short-term lease payments in 2022 and 2021 were RMB158,000 and RMB1,331,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25 SHARE CAPITAL

	Number of shares	Nominal value of shares	
Authorised:			
As at 31 December 2021 and 31 December 2022	2,000,000,000	HKD200,000,000	
	Number of shares	Nominal value of shares	Equivalent nominal value of shares <i>RMB'000</i>
Issued:			
As at 31 December 2021 and 31 December 2022	500,000,000	HKD50,000,000	42,607

26 RESERVES

	Share Premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Share-based compensation reserves RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Total reserves RMB'000
At 1 January 2022	56,705	17,325	(1,081)	4,860	886	(24,484)	56,468	110,679
Changes in fair value of financial assets at FVOCI, net of tax (Note 16)	-	-	-	-	-	-	(368)	(368)
Employee share schemes-value of employee services (Note 27)	-	-	-	-	3,718	-	-	3,718
Shares vested for share award scheme (Note 27)	(1,760)	-	-	-	(3,444)	5,204	-	-
Appropriation for surplus reserve (a)	-	1,865	-	-	-	-	-	1,865
Currency translation differences	-	-	(3,123)	-	-	-	-	(3,123)
At 31 December 2022	54,945	19,190	(4,204)	4,860	1,160	(19,280)	56,100	112,771
At 1 January 2021	56,705	17,325	(978)	4,860	-	-	14,370	92,282
Contribution from shareholders (b)	-	-	-	-	(38,240)	(3,858)	42,098	-
Employee share schemes-value of employee services (Note 27)	-	-	-	-	39,126	-	-	39,126
Repurchase of shares (c)	-	-	-	-	-	(20,626)	-	(20,626)
Currency translation differences	-	-	(103)	-	-	-	-	(103)
At 31 December 2021	56,705	17,325	(1,081)	4,860	886	(24,484)	56,468	110,679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

26 RESERVES *(Continued)*

(a) Appropriation for surplus reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiary, the PRC subsidiary is required to appropriate 10% of their profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders of the PRC subsidiaries. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalised as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalisation shall not be less than 25% of its capital.

(b) Contribution from shareholders

On 13 July 2021, the Controlling Shareholders transferred: (i) an aggregate of 3,855,381 shares of the Company for the purpose of sponsoring 2021 Share Award Scheme of the Group to Futu Trustee which is an employee share trust controlled by the Company, and (ii) an aggregate of 38,216,850 shares of the Company for 2021 C-star Share Award of the Group to a company owned by two employees of the Group. These transactions were regarded as contributions from the Controlling Shareholders and were recognised as other reserve using the fair value of the Company's shares prevailing.

(c) Repurchase of shares

On 21 September 2021, Futu Trustee purchased an aggregate of 21,076,000 shares from an independent third party for the purpose of the share award scheme. These shares were acquired at the prevailing market price.

As at 31 December 2022, the number of shares held for share award is 19,622,615 (31 December 2021: 24,931,381 shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

27 SHARE-BASED PAYMENTS

(a) 2021 Share Award Scheme

On 13 July 2021, the shareholder of the Company, Brilliant League which is wholly-owned by one of the Controlling Shareholders, Mr. Dong, transferred a total of 3,855,381 shares to Futu Trustee, an employee share trust controlled by the Company. On 20 July 2021, the Board resolved to grant 3,855,381 shares held by Futu Trustee to 40 employees of the Group at nil consideration.

The shares awarded to the aforesaid employees are subject to a vesting schedule in tranches from the grant date over a certain service period, on condition that employees remain in service without any performance requirements.

The total amount to be expensed is determined by reference to the market price of the Company's shares at the grant date. The Group recorded RMB1,077,000 share-based compensation expense accordingly during the year ended 31 December 2022 (2021: RMB886,000) (Note 26).

Movement in the number of awarded shares for the year ended 31 December 2022 is as follows:

	Year ended 31 December 2022
At the beginning of the year	3,855,381
Vested	(1,027,375)
Forfeited	(584,615)
At the end of the year	2,243,391

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27 SHARE-BASED PAYMENTS *(Continued)*

(b) 2022 Share Award

On 7 May 2022, 100,000 shares were granted to an employee of the Company without vesting condition. The Company accounted for this transaction as equity settled share-based payment to employees and recognised a share-based payment expense of approximately RMB60,000 immediately (Note 26).

On 12 May 2022, the Board resolved to grant 541,691 shares and 3,639,700 shares to Global Digital Adc Limited, wholly-owned by Mr. Cen Senhui ("Mr. Cen"), and Able2shine Limited ("Able2shine"), wholly-owned by Ms. Gao Yuqing ("Ms. Gao"), respectively. Mr. Cen and Ms. Gao are Directors of the Company. The Awarded Shares granted to Global Digital Adc and Able2shine represent approximately 0.11% and 0.73%, respectively, of the total issued shares of the Company as at the date of grant. The Company accounted for this transaction as equity settled share-based payment to employees and recognised a share-based payment expense of approximately RMB2,581,000 immediately as there is no vesting condition associated with these granted shares (Note 26).

These awarded shares were transferred to the above parties from Futu Trustee.

(c) 2021 C-star Share Award

On 13 July 2021, two Shareholders of the Company, Brilliant League and Highland Triumph, which are wholly-owned by the Controlling Shareholders of the Company, Mr. Dong and Mr. Yang, transferred an aggregate of 38,216,850 shares to C-star Limited ("C-star") at nominal consideration. C-star is owned as to 50% by Ms. Su Yuwen and 50% by Mr. Wen Mingyang, both being key employees of the Group without any other conditions. The Company accounted for this transaction as equity settled share-based payment to employees and recognised a share-based payment expense of approximately RMB38,240,000 immediately with corresponding credited as contribution from shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Loss)/profit before income tax	(15,672)	12,526
Adjustments for:		
Depreciation of property, plant and equipment	4,560	4,558
Amortisation of intangible assets	330	46
Finance costs – net	2,507	5,275
Gains on disposal of financial assets at fair value through profit or loss	(722)	(125)
Net impairment losses on financial assets	220	874
Share-based payment expenses	3,718	39,126
Changes in working capital:		
Trade receivables	153,491	689
Deposits, prepayments and other receivables	36,544	25,113
Trade payables	(106,510)	(11,886)
Contract liabilities	(6,195)	(10,213)
Other payables and accruals	7,038	(1,899)
Cash generated from operations	79,309	64,084

(b) Non-cash from investing and financing activities

There were no material non-cash investing activities for the years ended 31 December 2022 and 2021, other than the addition of right-of-use assets upon the commencement of each lease contract. The non-cash financing activities for the years ended 31 December 2022 represent the loans from Mr. Dong amounting to RMB32,684,000 are transferred from dividend payable, and there is no other material non-cash financing activities for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

28 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities generated from financing activities

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	74,030	116,379
Bank borrowings – repayable within 1 year	(2,460)	(41,102)
Bank borrowings – repayable after 1 year	(37,310)	(41,000)
Loans from related parties	(88,926)	–
Lease liabilities	(1,357)	(4,626)
Net (debt)/cash	(56,023)	29,651

	Other assets		Liabilities from financing activities				
	Cash RMB'000	FVPL RMB'000	Lease liabilities RMB'000	Bank borrowings due within 1 year RMB'000	Bank borrowings due after 1 year RMB'000	Loans from related parties RMB'000	Total RMB'000
Net debt as at							
1 January 2022	116,379	–	(4,626)	(41,102)	(41,000)	–	29,651
Cash flows	(39,228)	(722)	3,570	41,102	1,230	(56,242)	(50,290)
Non-cash movement	(3,121)	722	(301)	(2,460)	2,460	(32,684)	(35,384)
Net debt as at							
31 December 2022	74,030	–	(1,357)	(2,460)	(37,310)	(88,926)	(56,023)
Net debt as at							
1 January 2021	97,177	–	(3,377)	(82,500)	–	–	11,300
Cash flows	19,304	(125)	3,921	41,398	(41,000)	–	23,498
Non-cash movement	(102)	125	(5,170)	–	–	–	(5,147)
Net debt as at							
31 December 2021	116,379	–	(4,626)	(41,102)	(41,000)	–	29,651

29 COMMITMENT

Capital commitments

The Group did not have any material capital commitments as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere, the Group entered into the following significant related party transactions.

During the years ended 31 December 2022 and 2021, the directors are of the view that the following are related parties of the Group.

(a) Transactions with related parties

(i) Key management personnel compensation

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages, and bonuses	4,595	4,004
Share-based compensation expenses	2,576	–
Other social security costs, housing benefits and other employee benefits	115	1,004
Pension costs – defined contribution plans	103	166
	7,389	5,174

(ii) Loans from related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mr. Dong (Note b)	56,266	14,700
Mr. Yang Dengfeng	32,660	–
Mr. Cen Senhui	–	9,400
Ms. Wu Yang	–	5,000
	88,926	29,100

Notes:

- (a) The loans from related parties are unsecured, interest-free and repayable on demand of lenders under the loan contracts.
- (b) The loans from Mr. Dong included an aggregate amount of RMB32,684,000 which was transferred from dividend payable to Mr. Dong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

(i) Loans from shareholders and key management personnel

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Beginning of the year	–	7,500
Additions	88,926	29,100
Repayments	–	(36,600)
End of the year	88,926	–

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Mr. Dong (Note a)	56,266	–
Mr. Yang (Note b)	32,660	–
	88,926	–

Notes:

- (a) As at 31 December 2022, the loans were mainly financed by Vast Ocean Limited and Brilliant League Limited, which are wholly-owned by Mr. Dong.
- (b) As at 31 December 2022, the loans were mainly financed by Highland Triumph Limited, which is wholly-owned by Mr. Yang.
- (c) Loans from Mr. Dong and Mr. Yang were unsecured, interest free and repayable on demand.

(ii) Loans to shareholders and directors

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Beginning of the year	1,920	–
Additions	–	4,500
Interest expenses accretion	–	–
Repayments	–	(2,580)
Foreign currency translation	187	–
End of the year	2,107	1,920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties (Continued)

(ii) Loans to shareholders and directors (Continued)

The information about loans of the Group, in favour of Mr. Dong and directors are as follows:

Name of the borrower	Nature of connection	Total amount receivable RMB'000	Aggregate outstanding amounts at the beginning of the year RMB'000	Aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Aggregate amounts fallen due but not been paid RMB'000	Aggregate provisions for doubtful bad debts made RMB'000	Term	Interest rate	Security
At 31 December 2022										
Mr. Dong	Shareholder and director	2,107	1,920	2,107	2,107	–	–	2021.8.19 – 2023.8.18	–	unsecured

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of each director and the chief executive's is set out below:

	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Share-based compensation RMB'000	Total RMB'000
For the year ended 31 December 2022					
Chairman and Chief Executive Officer:					
Mr. Dong Hui	798	13	13	–	824
Executive directors:					
Mr. Yang Dengfeng	659	19	33	–	711
Ms. Gao Yuqing	1,580	13	13	2,247	3,853
Mr. Cen Senhui	1,100	35	35	334	1,504
Independent non-executive directors:					
Mr. Liu Kin Wai (i)	154	–	–	–	154
Mr. Wei Haiyan (i)	103	–	–	–	103
Mr. Zhang Fan Chen (iii)	103	–	–	–	103
	4,497	80	94	2,581	7,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Salaries, wages and bonus RMB'000	Pension cost-defined contribution plan RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Total RMB'000
For the year ended 31 December 2021				
Chairman and Chief Executive Officer:				
Mr. Dong Hui	821	25	900	1,746
Executive directors:				
Ms. Tian Liuyihang (ii)	83	—	—	83
Mr. Yang Dengfeng	649	24	33	706
Ms. Gao Yuqing	1,386	21	32	1,439
Mr. Cen Senhui	687	39	35	761
Independent non-executive directors:				
Mr. Liu Kin Wai (i)	150	—	—	150
Mr. Wei Haiyan (i)	100	—	—	100
Mr. Chen Shuo (i)	76	—	—	76
Mr. Zhang Fan Chen (iii)	23	—	—	23
	3,975	109	1,000	5,084

- (i) Mr. Chen Shuo, Mr. Liu Kin Wai and Mr. Wei Haiyan were appointed as independent non-executive directors of the Company on 22 August 2019 with effect from the listing. Mr. Chen Shuo resigned on 8 October 2021.
- (ii) Ms Tian Liuyihang was appointed as executive director of the Company on 9 December 2020 and resigned on 21 June 2021.
- (iii) Mr Zhang Fanchen was appointed as independent non-executive director of the Company on 8 October 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the years ended 31 December 2022 and 2021.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available Directors' services subsisted at the end of each reporting period or at any time during the years ended 31 December 2022 and 2021.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Other than those disclosed in Note 30, no loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 December 2022 and 2021.

(e) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the years ended 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 NOTES TO THE STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	As at 31 December	
	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Interests in subsidiaries	140,031	135,782
Prepayments	–	–
Total non-current assets	140,031	135,782
Current assets		
Prepayments and other receivables	141,996	65,622
Cash and cash equivalents	11,054	31
Restricted cash	5,951	–
Total current assets	159,001	65,653
Total assets	299,032	201,435
LIABILITIES		
Current liabilities		
Loans from related parties	88,926	–
Other payables	30,839	23,018
Total current liabilities	119,765	23,018
Total liabilities	119,765	23,018
EQUITY		
Share capital	42,607	42,607
Reserves	179,368	173,836
Accumulated losses	(42,708)	(38,026)
Total equity	179,267	178,417
Total equity and liabilities	299,032	201,435

Note:

Interests in subsidiaries

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Investments in subsidiaries – at cost, unlisted (Note (a))	133,778	130,059
Amounts due from a subsidiary (Note (b))	6,253	5,723
	140,031	135,782

- (a) It represents: (i) the aggregate net asset value of the subsidiary acquired during the reorganisation of the Group, which was completed on 14 December 2018, and (ii) the share-based compensation granted to employees in certain subsidiaries.
- (b) Amounts due from a subsidiary represent the cash consideration received by a subsidiary on behalf of the Company, for the issuance of shares of the Company on 12 February 2019. The Company will not demand repayment of the amounts in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32 NOTES TO THE STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY *(Continued)*

(b) Equity movement of the Company

	Attributable to owners of the Company								Total equity RMB'000
	Share capital RMB'000	Share Premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Share-based compensation reserves RMB'000	Shares held for share award scheme RMB'000	Other reserve RMB'000	Accumulated losses RMB'000	
At 1 January 2022	42,607	56,705	(3,136)	4,860	886	(24,484)	139,005	(38,026)	178,417
Profit for the year	-	-	-	-	-	-	-	137,179	137,179
Other comprehensive income	-	-	1,814	-	-	-	-	-	1,814
Total comprehensive income for the year	-	-	1,814	-	-	-	-	137,179	138,993
Transactions with owners:									
Employee share schemes- value of employee services (Note 27)	-	-	-	-	3,718	-	-	-	3,718
Shares vested for share award scheme (Note 27)	-	(1,760)	-	-	(3,444)	5,204	-	-	-
Cash dividends	-	-	-	-	-	-	-	(141,861)	(141,861)
At 31 December 2022	42,607	54,945	(1,322)	4,860	1,160	(19,280)	139,005	(42,708)	179,267
At 1 January 2021	42,607	56,705	(816)	4,860	-	-	96,907	(35,124)	165,139
Profit for the year	-	-	-	-	-	-	-	(2,902)	(2,902)
Other comprehensive income	-	-	(2,320)	-	-	-	-	-	(2,320)
Total comprehensive income for the year	-	-	(2,320)	-	-	-	-	(2,902)	(5,222)
Transactions with owners:									
Contribution from shareholders (Note 26(b))	-	-	-	-	(38,240)	(3,858)	42,098	-	-
Employee share schemes- value of employee services	-	-	-	-	39,126	-	-	-	39,126
Repurchase of shares (Note 26(c))	-	-	-	-	-	(20,626)	-	-	(20,626)
At 31 December 2021	42,607	56,705	(3,136)	4,860	886	(24,484)	139,005	(38,026)	178,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group had no material contingent liabilities.

34 SUBSIDIARIES

The following is a list of principal subsidiaries of the Company as at 31 December 2022 and 2021:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Percentage of attributable equity interest as at		Principal activities
			31 December 2022	2021	
Directly owned:					
Fong De Limited (“芳德有限公司”)	British Virgin Islands/ 9 October 2018	USD100	100%	100%	Investment holding
Indirectly owned:					
Dragon Hero Corporation Limited (“英龍有限公司”)	Hong Kong/ 28 September 2018	HKD2	100%	100%	Investment holding
Huzhou Bright Future (“湖州輝煌明天科技有限公司”)	The PRC/ 25 October 2018	RMB60,059,800	100%	100%	Investment holding & Intelligent marketing solutions services
Shenzhen Bright Future (“深圳輝煌明天科技有限公司”)	The PRC/ 28 December 2015	RMB3,000,000	100%	100%	Investment holding & Intelligent marketing solutions services
Shenzhen Lindu (“深圳鄰度科技有限公司”)	The PRC/ 19 September 2014	RMB5,000,000	100%	100%	Intelligent marketing solutions services
Khorgas Velocity Network (“霍爾果斯光速網絡科技有限公司”)	The PRC/ 12 September 2017	RMB3,000,000	100%	100%	Intelligent marketing solutions services
Wuhan Lindu Technology Company Limited (“武漢鄰度科技有限公司”)	The PRC/ 9 February 2021	RMB5,000,000	100%	100%	Intelligent marketing solutions services
Hangzhou Bright Future Technology Company Limited (“杭州輝煌明天企業管理有限公司”)	The PRC/ 1 December 2021	RMB1,000,000	100%	100%	Investment holding
Shanghai Wanwan Technology Co., Ltd. (“上海遍玩科技有限公司”)	The PRC/ 19 March 2022	RMB1,000,000	100%	–	Investment holding

Note: All companies comprising the Group have adopted 31 December as their financial year end date.

The English names of the subsidiaries represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Prospectus, is set out below.

RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	443,494	488,028	382,763	281,934	254,915
Gross profit	33,425	97,463	116,183	81,398	79,859
Profit before income tax	(15,672)	12,526	71,115	44,728	45,076
Profit for the year	(22,432)	(17,255)	67,334	38,434	42,386

ASSETS AND LIABILITIES

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	358,207	583,320	577,755	337,576	248,474
Total liabilities	226,678	287,725	283,302	208,742	165,575
Total equity	131,529	295,595	294,453	128,834	82,899

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"Adoption Date"	7 May 2021, being the date on which the Share Award Scheme is adopted by the Company
"advertisement inventory(ies)"	traffic available on online media publishers for advertising
"advertisers"	any persons, companies, organisations which advertise their brands, products (or services) through the placing of mobile advertisements, (e.g. brand owners, advertising agents, mobile app developers) and as the original initiators of the whole value chain for mobile advertising
"advertising"	any communication, usually paid-for, with the intention of bringing a product (or service) to the attention of potential and current customers
"AI"	artificial intelligence
"AIPL"	acronym of "Awareness", "Interest", "Purchase" and "Loyalty", the key tenets forming the Group's strategic agenda and business model
"algorithm(s)"	a set of well-defined instructions in sequence to solve the problem in programming
"app(s)" or "mobile app(s)" or "mobile application"	application software designed to operate on smartphones and other mobile devices
"AR"	augmented reality
"Audit Committee"	the audit committee of the Board
"Award"	an award of the Awarded Shares by the Board pursuant to the Share Award Scheme to a Selected Employee
"Awarded Share(s)"	in respect of a Selected Employee, such number of Shares as awarded by the Board
"big data"	a combination of structured, semi-structured and unstructured data collected by organisations that can be mined for information and used in machine learning projects, predictive modeling and other advanced analytics applications
"Board" or "Board of Directors"	the board of directors of the Company
"Brilliant League"	BRILLIANT LEAGUE LIMITED, a company incorporated in the British Virgin Islands with limited liability on 25 April 2018, which is wholly-owned by Mr. DONG Hui, an executive Director of the Company
"BVI"	the British Virgin Islands

DEFINITIONS

"CG Code"	corporate governance code contained in Appendix 14 to the Listing Rules
"cloud-based"	applications, services or resources made available to users on demand via the internet from a cloud computing provider's server with access to shared pools of configurable resources
"Companies Act"	The Companies Act, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Company"	Bright Future Technology Holdings Limited (辉煌明天科技控股有限公司) (formerly known as "Bright Future Science Holdings Limited"), an exempted company incorporated in the Cayman Islands with limited liability on 8 November 2018
"core service provider(s)"	a status recognised by media publisher(s) which offer advertisement inventories, indicating the close business relationship between the media publisher and the advertising agent in relation to the purchase of advertisement inventories. The status is usually obtained through, among other requirements, reaching a certain level of transaction amounts with the media publisher within a prescribed period of time. Obtaining such status usually allows the advertising agent to directly deal with the media publisher
"COVID" or "COVID-19"	novel coronavirus 2019
"CRM" or "customer relationship management"	technology or system(s) for managing business relationships and interactions with customers and potential customers which helps businesses to stay connected to customers, streamline processes, and improve profitability
"C-star"	C-star Limited, a company incorporated in the British Virgin Islands with limited liability on 9 July 2021, which is owned as to 50% by Ms. SU Yuwen and 50% by Mr. WEN Mingyang, both being key staff of the Group
"DMP(s)" or "Data Management Platform(s)"	a platform with built-in computer software, tools and systems which allow for the use of algorithms to selectively extract non-confidential information from the public domain and to analyse the information and group or classify the information in a useful way
"employee"	any employee (including without limitation any executive director) of any member of the Group
"ERP" or "enterprise resource planning"	a business process management software which enables an organization to utilise a system of integrated applications to manage its business and automate many back office functions related to finance, technology services and human resources

DEFINITIONS

"Excluded Employee"	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee
"Futu Trustee"	Futu Trustee Limited, a company incorporated in Hong Kong with limited liability on 28 August 2017, the trustee under the Share Award Scheme
"Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Highland Triumph"	HIGHLAND TRIUMPH LIMITED, a company incorporated in the British Virgin Islands with limited liability on 28 May 2018, which is wholly-owned by Mr. YANG Dengfeng, an executive Director of the Company
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"industry verticals"	specific industries in which vendors offer goods and services to group of customers with specialised needs
"LinkDoAI"	the Group's proprietary full service intelligent marketing management platform
"Listing"	the listing of the Shares on the Main Board on 11 November 2020
"Listing Date"	11 November 2020, the date on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange made by the Stock Exchange from time to time
"livestreaming"	online streaming media simultaneously recorded and broadcast in real-time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

DEFINITIONS

"metaverse"	a simulated digital environment that uses AR, VR and blockchain, along with concepts from social media, to create spaces for rich user interaction mimicking the real world
"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"platform(s)"	the environment in which a piece of software is executed
"platform economy"	tech-driven online marketplaces or businesses which allow consumers and businesses to connect, share resources or sell and purchase of products or services
"PRC" or "China"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company dated 28 October 2020
"R&D"	research and development
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SaaS"	software as a service, being software hosted by a third-party provider and delivered to customers over the internet as a service
"Selected Employee(s)"	Employee(s) selected by the Board pursuant to the Share Award Scheme for participation in the Share Award Scheme; for avoidance of doubt, the Board confirms that no controlling shareholder (including any Employee who is a controlling shareholder) will be a Selected Employee
"Share(s)"	ordinary share(s) of HK\$0.1 each in the share capital of the Company
"Share Award Scheme"	the share award scheme of the Company approved and adopted by the Board on 7 May 2021, in its present form or as amended from time to time in accordance with the Share Award Scheme
"Share Offer"	the public offering and placing of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 16 October 2020
"shareholder(s)"	holder(s) of the Share(s)

DEFINITIONS

"SMB(s)"	small and medium-sized business(es)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"stock image(s)"	generic photos, illustrations and icons etc., created with or without a particular project in mind that can be used for other productions
"stock video(s)" or "stock footage(s)"	generic video clips, outtakes or videos created with or without a particular project in mind that can be used for other productions
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"top media"	major online media publishers such as popular search engines and social media that offer advertisement inventories through their own advertising placement systems
"Vast Ocean"	VAST OCEAN LIMITED, a company incorporated in the British Virgin Islands with limited liability on 23 June 2021, which is wholly-owned by Mr. DONG Hui, an executive Director of the Company
"VR"	virtual reality
"Z-Generation"	the cohort of people who were born between 1996 and 2010, and in China, being its first generation of digital natives who are instinctively familiar with technology as a form of communication, entertainment and enabler of commerce
"%"	per cent.

The English names of the PRC established companies or entities and the PRC laws and regulations mentioned herein are translation from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.