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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)

PROFIT WARNING

This announcement is made by Bright Future Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2022 and the information currently available to the board of directors (the “**Board**”) of the Company, the Board wishes to inform the shareholders of the Company and potential investors that:

- (1) The Group is expected to record a gross profit in a range from approximately RMB28 million to RMB38 million for the year ended 31 December 2022, representing a decrease of approximately 71% to 61% as compared to the gross profit of approximately RMB97.5 million for the year ended 31 December 2021.

The reduction of gross profit is mainly attributable to the following reasons:

- (i) The decrease in revenue for the year ended 31 December 2022 by approximately 6% to 12% compared with the corresponding period in 2021, as 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 (stemming from weakened consumer sentiment and dampened demand during relatively extended periods where containment policies on movement were introduced to curb COVID-19 spread) as exacerbated by shrinkage of overall marketing budgets, has further intensified competition and thus exerting pressure on the profitability of the Group’s operations.

- (ii) Against the backdrop of a COVID-stricken economy and, more specifically, spikes of COVID cases during the uniquely challenging year of 2022, as guided by audience preference, the pace of shifting towards online marketing by more marketing services providers has been hastened, which inevitably intensified the competition for advertising inventories among the market players, thus ramping up advertising traffic costs.
 - (iii) In a market rife with competition, gross profit margin is dragged by a general downward trend across the sector as a whole in 2022 as surging costs of customer retention and acquisition, as well as the rising production costs of short-videos, have prompted market players (with the Group being no exception) to adapt their pricing strategy accordingly.
 - (iv) To explore new growth areas and tap into potential opportunities as and when they arise, the Group has been in active pursuit of new customers and untapped media resources, whilst seeking to foster new forms of strategic cooperation and innovation. The move, albeit a much necessary one to take in order to gear up the Group's growth in the long run, has nonetheless contributed to higher sales and advertising traffic costs in the short run, thus narrowing the Group's gross profit margin.
 - (v) In a bid to improve customer stickiness, deemed essential for the Group's continued operations in a competitive landscape, the Group resorted to adopting a more integrative approach which focuses on full solutions 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.
- (2) The Group is also expected to record an increase in the loss attributable to the owners of the Company to a range of approximately RMB17 million to RMB27 million for the year ended 31 December 2022, as compared to the loss attributable to owners of the Company of approximately RMB17.3 million for the year ended 31 December 2021.

The reason for such increase is in tandem with the aforementioned reasons which contributed to a decline in gross profits.

- (3) By eliminating the income tax expense and share-based compensation, the Group is expected to record an adjusted net loss for the year ended 31 December 2022 ranging from approximately RMB7 million to RMB17 million. The adjusted net loss, a non-HKFRS measure, is calculated by adding back the income tax expense and share-based compensation. The Board considers that the income tax expense and share-based compensation do not affect the Group's ongoing operation performance, and the adjusted net loss provides more useful information to investors in facilitating a comparison of the Group's operations from period to period.

It is expected that the industry-wide effects of the COVID-19 pandemic will linger on for an extended period. Yet with the PRC government stepping up its efforts to counter the pandemic's adverse effects on the Chinese economy, recovery in consumption and activity, to a certain extent, is expected in 2023, with marketing spend looking to follow the upward trend. To maneuver and steer through the constantly changing industry and market, the Group will continually leverage its rational cost structure to adapt to market conditions, whilst freeing up resources for innovation and exploring new avenues of business growth. With hopes of sailing strong into 2023, the Group will continue to closely monitor the fluid market and pandemic situation and make timely adjustments to its strategies and operations so as to timely hop on the rebound train by concentrating its resources in business areas poised for strong growth ahead and keeping a firm grip on cost control where necessary. To such end, the Group strives to keep the shareholders of the Company and potential investors duly informed of any material developments as and when they arise.

As the Company is still in the process of finalising the annual results of the Group for the year ended 31 December 2022, the information contained in this announcement is only based on the Board's preliminary assessment of the unaudited consolidated management accounts of the Group and the information currently available, which have neither been reviewed by the audit committee of the Company nor reviewed or audited by the Company's auditors. The above information may be subject to further adjustments upon final review by the Board and the Company's auditors. Shareholders and potential investors are advised to refer to the details in the annual results of the Group for the year ended 31 December 2022, which is expected to be published in late March 2023 in accordance with the Listing Rules.

Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

By Order of the Board

Bright Future Technology Holdings Limited

DONG Hui

Chairman, Chief Executive Officer and Executive Director

Shenzhen, People's Republic of China, 13 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. DONG Hui, Mr. YANG Dengfeng, Ms. GAO Yuqing and Mr. CEN Senhui, and the independent non-executive Directors of the Company are Mr. LIU Kin Wai, Mr. WEI Hai Yan and Mr. ZHANG Fanchen.