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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Huashi Group Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results for the six months ended 30 June 2024 (the "**Reporting Period**") of the Company, together with its subsidiaries and consolidated affiliated entities (collectively, the "**Group**" or "**We**"), together with the comparative figures for the six months ended 30 June 2023 as follows:

FINANCIAL SUMMARY

	For the six months ended 30 June		
	2024 **(Unaudited)**	2023 (Unaudited)	Period-on-Period Changes
	(RMB,000,000, except for percentage)		
Revenue	**123.2**	113.6	8.5%
Gross profit	**75.0**	69.1	8.5%
Profit before income tax expense	**44.1**	40.6	8.6%
Profit for the period	**35.9**	34.4	4.4%
Adjusted net profit	**35.9**	36.6	(1.9%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**123,245**	113,637
Cost of services		**(48,260)**	(44,559)
Gross profit		**74,985**	69,078
Other income and other losses, net	*5*	**1,196**	2,849
Selling and marketing expenses		**(5,890)**	(4,713)
Administrative expenses		**(19,911)**	(19,255)
Listing expenses		**–**	(2,167)
Provision for expected credit loss on financial and contract assets, net		**(3,115)**	(4,301)
Finance costs	*6*	**(3,167)**	(844)
Profit before income tax expense	*7*	**44,098**	40,647
Income tax expense	*8*	**(8,198)**	(6,251)
Profit for the period		**35,900**	34,396
Profit for the period attributable to:			
– Owners of the Company		**35,900**	34,396
Earnings per share attributable to owners of the Company	*10*		
– Basic and diluted (RMB cents)		**4.66**	5.33

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2024

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Assets			
Non-current assets			
Plant and equipment		**19,892**	16,982
Right-of-use assets		**3,060**	3,383
Intangible asset		**1,821**	2,404
Deferred tax assets		**3,645**	3,242
Prepayments		**120,476**	45,432
		148,894	71,443
Current assets			
Contract assets		**895**	1,008
Trade receivables	*11*	**253,760**	243,311
Deposits, prepayments and other receivables		**33,129**	7,217
Cash and cash equivalents		**141,040**	171,023
		428,824	422,559
Total assets		**577,718**	494,002
Liabilities			
Current liabilities			
Trade payables	*12*	**73,707**	84,899
Accruals and other payables		**3,409**	7,820
Contract liabilities		**5,424**	1,873
Lease liabilities		**1,252**	1,149
Borrowings	*13*	**158,000**	107,950
Income tax payable		**6,553**	2,867
		248,345	206,558
Net current assets		**180,479**	216,001
Total assets less current liabilities		**329,373**	287,444

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Non-current liabilities			
Borrowings	*13*	**16,960**	10,990
Lease liabilities		**5,229**	6,628
Deferred tax liabilities		**8,675**	7,217
		30,864	24,835
Total liabilities		**279,209**	231,393
NET ASSETS		**298,509**	262,609
Equity attributable to owners of the Company			
Share capital	*14*	**276,515**	276,515
Reserves		**21,994**	(13,906)
TOTAL EQUITY		**298,509**	262,609

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2024

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

These interim consolidated financial statements have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2023 annual report.

3. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2023 annual financial statements, except for the following new standards and amendments which apply for the first time in 2024. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and amendments are effective for the period beginning 1 January 2024:

- *Supplier Finance Arrangements* (Amendments to HKAS 7 & HKFRS 7);
- *Lease Liability in a Sale and Leaseback* (Amendments to HKFRS 16);
- *Classification of Liabilities as Current or Non-current* (Amendments to HKAS 1);
- *Non-current Liabilities with Covenants* (Amendments to HKAS 1); and
- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants* (HK Interpretation 5 (Revised) ('HK-Int 5 (Revised)'))

Supplier Finance Arrangements (Amendments to HKAS 7 & HKFRS 7)

On 21 July 2023, the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") issued *Supplier Finance Arrangements*, which amended HKAS 7 *Statement of Cash Flows* and HKFRS 7 *Financial Instruments: Disclosures*.

The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

The amendments provide a transition relief whereby an entity is not required to provide the disclosures, otherwise required by the amendments, for any interim period presented within the annual reporting period in which the entity first applies those amendments.

The Group carried out an assessment of its contracts and operations and concluded that these amendments have had no effect on the interim condensed consolidated financial statements, regardless of the transition relief provided.

Lease Liability in a Sale and Leaseback (Amendments to HKFRS 16)

On 1 November 2022, the HKICPA issued amendments to HKFRS 16 *Lease Liability in a Sale and Leaseback*.

Prior to the amendments, HKFRS 16 did not contain specific measurement requirements for lease liabilities that may contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent measurement requirements of lease liabilities to a sale and leaseback transaction, the amendments require a seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right to use retained by the seller-lessee.

These amendments had no effect on the interim condensed consolidated financial statements of the Group.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to HKAS 1 and HK-Int 5 (Revised))

The HKICPA issued amendments to HKAS 1 in August 2020 *Classification of Liabilities as Current or Non-current* and subsequently, in December 2022, *Non-current Liabilities with Covenants* together with HK-Int 5 (Revised).

The amendments clarify the following:

– An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period.

– If an entity's right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.

– The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.

– In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms do not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments had no effect on the interim condensed consolidated financial statements of the Group.

4. REVENUE

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

During the six months ended 30 June 2024 and 2023, the Group is principally engaged in the provision of branding, advertising and marketing services and advertisement placement services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief executive officer of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC for the six months ended 30 June 2024 and 2023.

As at 30 June 2024 and 31 December 2023, all of the non-current assets were located in the PRC.

Information about major customers

None of revenue from external customers derived from provision of branding, advertising and marketing service and advertisement placement services contributed over 10% to the total revenue of the Group for the six months ended 30 June 2024 and 2023.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

Revenue mainly comprises of provision of branding, advertising and marketing service and advertisement placement services. An analysis of the Group's revenue by category for the six months ended 30 June 2024 and 2023 were as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Branding services	**50,004**	52,222
Event execution and production services	**27,345**	29,433
Online media advertising services	**19,942**	19,129
Advertisement placement services	**18,635**	6,966
Rebates from Media Partner	**7,319**	5,887
	123,245	113,637

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Services transferred over time	**77,349**	81,655
Services transferred at a point in time	**45,896**	31,982
	123,245	113,637

During the six months ended 30 June 2024 and 2023, there was no significant incremental costs to obtain a contract.

5. OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**355**	151
Government grants *(Note a)*	**354**	237
Input value-added tax surplus deduction *(Note b)*	**–**	2,461
Exchange gain, net	**487**	–
	1,196	2,849

Note:

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

b) Input value-added tax surplus deduction amounted to RMB Nil (six months ended 30 June 2023: RMB2,461,000) was recognised in profit or loss due to the value-added tax reform. In accordance with value-added tax Reformation Article No.39, the Group is eligible for additional VAT credits by 10% of the current period creditable value-added tax input from 1 April 2019 to 31 December 2021. The implementation period was further extended to 31 December 2022 according to announcement No.11 by the State Administration of Taxation in 2022. In accordance with announcement No.1 by the State Administration of Taxation in 2023, the Group is eligible for an additional VAT credit of 5% for the current period from 1 January 2023 to 31 December 2023 for creditable inputs. No new input credit policy has been introduced since 1 January 2024 and therefore the credit is no longer available from 1 January 2024 onwards.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**2,992**	788
Interest on lease liabilities	**175**	56
	3,167	844

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditor's remuneration	**380**	–
Cost of services provided by suppliers	**44,217**	41,974
Amortisation of intangible assets	**583**	583
Depreciation of plant and equipment	**2,654**	2,273
Depreciation of right-of-use assets – Leased properties	**323**	504
Business development cost	**10,512**	11,490
Provision for expected credit loss on financial and contract assets, net	**3,115**	4,301
Listing expenses	**–**	2,167
Short-term lease expenses	**1,141**	1,049
Staff costs (including directors' emoluments):		
Salaries and bonus	**7,838**	6,233
Pension costs, housing provident funds, medical insurances and other social securities *(Note (a))*	**854**	1,036
	8,692	7,269

Note (a):

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

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Tax for the current year	**7,143**	5,965
Deferred tax		
Charged to profit or loss for the year	**1,055**	286
	8,198	6,251

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

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

Huashi Media, one of the subsidiaries of the Company, is entitled to a preferential income tax rate of 15% for the year ending 31 December 2024 and year ended 31 December 2023, as it was awarded high-technology status by tax authority.

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

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2024 and 2023.

9. DIVIDEND

No dividend was paid or declared by the Company during the six months ended 30 June 2024 and 2023.

10. EARNINGS PER SHARE

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

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	**35,900**	34,396
Weighted average number of shares in issue	**770,650,000**	645,650,000
Basic earnings per share (RMB cents)	**4.66**	5.33

Note:

The weighted average of 645,650,000 shares used in the calculation of the basic earnings per share for the six months ended 30 June 2023 assumed the Capitalisation Issue in November 2023 (as detailed in note 14(ii)) had occurred at the beginning of the year ended 31 December 2023.

Diluted earnings per share presented is the same as the basic earnings per share as there was no dilutive potential ordinary share outstanding during the six months ended 30 June 2024 (six months ended 30 June 2023: Same).

11. TRADE RECEIVABLES

	30 June 2024 ***RMB'000*** **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Trade receivables	**272,133**	259,426
Less: allowance for impairment loss on trade receivables	**(18,373)**	(16,115)
	253,760	243,311

As at 30 June 2024 and 31 December 2023, the trade receivables was denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on due date were as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not past due	**248,473**	227,939
Within 90 days	**5,287**	15,372
91–180 days	**–**	–
181–365 days	**–**	–
Over 1 year	**–**	–
	253,760	243,311

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**248,473**	227,939
91–180 days	**5,287**	15,372
181–365 days	**–**	–
Over 1 year	**–**	–
	253,760	243,311

12. TRADE PAYABLES

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables based on services received were as follows:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**37,856**	79,265
31–60 days	**10,034**	2,688
61–90 days	**20,013**	1,079
Over 90 days	**5,804**	1,867
	73,707	84,899

13. BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bank and other loans–guaranteed	**164,960**	108,940
Bank loans–secured and guaranteed	**10,000**	10,000
	174,960	118,940

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Carrying amounts repayable (based on the scheduled repayment dates set out in loan agreements):		
– Within 1 year	**158,000**	107,950
– More than 1 year, but not exceeding 2 years	**16,960**	10,990
	174,960	118,940
Less: Portion due on demand or within one year under current liabilities	**(158,000)**	(107,950)
Portion due over one year under non-current liabilities	**16,960**	10,990

Notes:

(i) The weighted-average effective interest rate of the borrowings was 2.54% and 4.01% as at 30 June 2024 and 31 December 2023 respectively.

(ii) As at 30 June 2024 and 31 December 2023, banking facilities of the Group totalled RMB196 million and RMB121 million respectively. They were utilised to the extent of RMB175 million and RMB119 million respectively.

(iii) Certain bank loan facilities of the Group are subject to the fulfilment of certain covenants on asset-liability ratios of the relevant group entities, as are commonly found in lending arrangements with financial institutions. If the relevant group entities were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2024 and 31 December 2023, none of the covenants relating to drawn down facilities had been breached.

14. SHARE CAPITAL

	Number	Amount US$'000	Amount RMB'000
Authorised			
Ordinary shares of US$0.05 each			
At 1 January 2023	1,000,000	50	322
Increase in authorised share capital *(Note (i))*	999,000,000	49,950	358,533
At 31 December 2023, 1 January 2024 and 30 June 2024	**1,000,000,000**	**50,000**	**358,855**
Issued and fully paid			
Ordinary shares of US$0.05 each			
At 1 January 2023	1,000,000	50	322
Issue of shares upon listing *(Note (ii))*	125,000,000	6,250	44,857
Issue of shares under Capitalisation Issue *(Note (ii))*	644,650,000	32,233	231,336
At 31 December 2023, 1 January 2024 and 30 June 2024	**770,650,000**	**38,533**	**276,515**

Notes

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

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

15. EVENTS AFTER THE END OF REPORTING PERIOD

The Group has no significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

BUSINESS SUMMARY

The Group is a branding, advertising and marketing service provider based in Hubei Province, the PRC, providing services across the entire value chain from market research through collaboration with research institutes to execution of branding, advertising and marketing projects through collaboration with different media resources suppliers so as to assist brand owners, advertisers and advertising agents in formulating and implementing effective service proposals to fulfil their promotional needs and marketing objectives, thereby further enhancing their brand reputation to targeted recipients, and improving the competitiveness and market share of their products or services.

In the first half of 2024, China's GDP grew by 5.0% year-on-year. Nonetheless, the global environment was complex and volatile, with the geopolitical situation becoming more challenging, the Russian-Ukrainian war and the Middle East conflict fuelling continued high oil prices, and the haze of inflation still lingering. Advertisers' expenditure remained weak due to the slow recovery of the global economy. However, policies to stimulate the economy, such as promoting the stable and healthy development of the property market, promoting artificial intelligence to empower new industrialisation and accelerating the cultivation of digital talents to support the development of the digital economy, have been rolled out by the relevant departments since this year, in order to help the economy to stabilise and rebound. The Group remains confident that China's economy will continue to recover steadily and the digital economy industry will flourish.

During the Reporting Period, despite the unfavourable market conditions, the Group has fully mobilised the resources of its partners and formulated proactive development strategies, with each of its business lines demonstrating greater resilience. Through regular exchanges in the industry, improvement of the talent training system and digital empowerment of the business, we have comprehensively promoted the enhancement of the overall quality of our staff and optimisation of the business processes, facilitated peer-to-peer exchanges and improved the quality of our services, thereby continuously strengthening the Group's comprehensive strength and influence. Our one-stop service solutions, ranging from market research to marketing execution, are tailor-made for customers with different marketing needs, and have been widely recognised by our customers. In particular, our brand cross-border linkage marketing plan for a domestic mega communications operator won the Gold Award for cross boundary marketing of the 8th Kirin International Creative Festival 2024 in the Entertainment Marketing Category.

With the continuous growth in number of the Group's customers, the breadth and depth of its business expanded constantly and its service capabilities and quality in subdivided industries improved significantly, which has accumulated a good reputation. During the Reporting Period and up to the date of this announcement, the Group entered into new cooperation agreements or long-term projects with certain major customers, and maintained a solid partnership with leading short video platforms in Mainland China, thus laying a solid foundation for the sustainable development of the Group's business. Among them, the Group signed a brand planning and promotion execution project with a domestic mega communications operator for the period from 2024 to 2026, a cultural and tourism branding project with a local government culture and tourism bureau, and a tripartite strategic co-operation agreement with a domestic mid-to-high-end chain seafood hotpot catering company and a domestic national-level leading enterprise in agricultural industrialization. The business quality and profitability of the Group had demonstrated steady increases. During the Reporting Period, the Group recorded total revenue of RMB123.2 million and the total contract value signed with customers was RMB434 million, of which 94.9% (approximately RMB412 million) of services have been provided to customers.

BRANDING SERVICES

The Group provides branding services to our customers where we will conduct market research and formulate comprehensive and customised branding services proposals for our customers: (i) in-depth research and analysis of the customer branded markets through collaboration with research institutes; (ii) planning of brand development strategies and advising on core brand values, brand positioning and target customers; (iii) design of brand image; and (iv) formulation of products and/or services marketing and branding plans.

According to Frost & Sullivan Research, the market size of the brand consulting services industry in the PRC rose from RMB43.31 billion in 2018 to RMB54.99 billion in 2022, representing a compound annual growth rate of 6.6%, and the market size is expected to reach RMB59.36 billion in 2027, representing a compound annual growth rate of 5.3%. The Group's accumulation of resources in sectors such as food and beverage, furniture, automobile manufacturing, medical and pharmaceutical industries and government organisations will bring new growth points for the growth of the Group's branding business. We will continue to adhere to our strategic direction of providing one-stop branding solutions and marketing services to our customers, and continue to enhance our competitiveness in this area.

ONLINE MEDIA ADVERTISING SERVICES

The online media advertising services provided by the Group mainly include understanding the marketing needs of customers, analysing the preference and behaviour of internet users, characteristics and effectiveness of various online platforms, providing suggestions on the forms of online advertisements and selecting the types of online platforms according to the marketing needs of the customers, and liaising with online advertising resource providers to obtain the corresponding advertising resources and execute the advertisements according to the instructions of the customers. The Group offers the following major forms of online media advertising: (i) display advertising; and (ii) search engine advertising. With the extensive use of technologies such as big data and artificial intelligence, as well as the increasing demand from advertisers for high quality and efficient marketing channels, the advantages of online media advertising are becoming more and more apparent.

The Group actively embraces the new trend of digitalisation and intelligence in online media advertising. Through continuous enhancement of digital infrastructure and updating of data platforms and systems, the data analysis capability has been enhanced and precise marketing and effect monitoring of online media advertising have been achieved. Leveraging on our well-established online media channels, excellent reputation for branding services and professional advertising strategy team, we have been able to provide personalised and diversified online advertising strategies to our cooperative customers, and our online media advertising business has been steadily progressing. During the Reporting Period and up to the date of this announcement, a total of six new qualifications and authorisations for service providers and agencies were granted to the Group, further improving the media resources matrix.

EVENT EXECUTION AND PRODUCTION SERVICES

The event execution and production services provided by the Group cover all stages of organised marketing activities to meet the diverse marketing needs of our customers, including (i) formulating campaign strategies; (ii) devising design of the programmes, work plans and rundown of events; (iii) execution of the projects through procuring materials and engaging third-party service providers; (iv) assisting with project management and overseeing the execution of marketing campaigns; and (v) evaluating the effectiveness of the marketing campaigns through public opinion.

The Group has set up specialised service teams for each event project, which are responsible for planning, managing and executing the whole process of customised service solutions to help customers promote their brand concepts, enhance brand awareness, and shape their brand image to achieve the marketing objectives and results. The Group is also actively exploring the business model of integrating digital interactive marketing with real-life scenarios, which can not only provide products and services to target groups and disseminate brand value at the event venue, but also leverage the Group's strength in online media resources to carry out secondary marketing and accurately reach potential target groups, thereby continuing to create long-term value for our customers.

ADVERTISEMENT PLACEMENT SERVICES

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

Leveraging the Group's long-standing media resources and the newly granted qualifications and authorisations of six service providers and agencies, our advertising channels and advertising placement capabilities have been expanded and strengthened, and we are better able to meet the diversified needs of advertisers.

Notes:

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

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

TRADITIONAL OFFLINE MEDIA ADVERTISING SERVICES

The major offline media advertising spaces the Group offers mainly include: (i) TV advertising space; (ii) radio advertising space; and (iii) outdoor advertising space. Our services cover most of the key stages in placing advertisement, including identifying the appropriate media mix, preparing the advertising proposal, procurement of advertising resources, arranging and supervising the placement of advertisements and evaluation of the advertisements' effectiveness. Taking into account the overall situation of the industry and the Group's development plan, we focus on businesses such as branding services and online media advertising services. However, we will continue to pay attention to the opportunities in traditional offline media advertising services, grasp the industry trend and market demand, and consider increasing our investment at an appropriate time.

BUSINESS OUTLOOK

The Group will be innovative and enterprising, and will steadfastly implement its strategic development plans to consolidate its market position as a provider of branding, advertising and marketing services in the PRC and actively explore opportunities in overseas markets, with a view to assisting the industry and the community in achieving sustainable and high-quality development. In the future, we will take actions in the following five directions to further enhance the Group's market influence and competitiveness:

(i) Accelerating the establishment of brand data platform and R&D databases. In this regard, the Group will obtain more timely market and industry data to support the digital transformation of branding services and enhance data analysis capabilities, which can benefit us in responding quickly to customer needs, and proposing more attractive and competitive service solutions for our brand customers to further enhance customer satisfaction;

(ii) Consolidating and enhancing the industry competitiveness of our online media advertising business. We will establish three new systems on the basis of our online media advertising platforms, namely, an effectiveness monitoring and evaluation system, a data analysis system and a data management system. These systems will further improve the Group's digitalisation blueprint, enhance and improve our capabilities and efficiency in data collection and analysis, implementation of effectiveness evaluation, real-time online data monitoring and data security protection;

(iii) Expanding business coverage areas. During the Reporting Period, more than 50% of the Group's revenue was derived from Hubei Province. Taking into account the diversification of customer types, the variety of business types, and the differences in geographical styles and cultural practices, the Group plans to accelerate its business development and office construction outside Hubei Province, and to explore overseas business opportunities simultaneously;

(iv) Endeavoring to enhance the Group's brand awareness. According to Frost & Sullivan, large advertisers in the PRC generally tend to cooperate with well-known brands, advertising and marketing service providers. The Group recognises that the maintenance of its own brand is of paramount importance and we will insist on building up a corporate image of excellence, integrity and reliability, innovation and progress, professionalism and efficiency;

(v) Strengthening the training and development of our talent team. Talent is the cornerstone of a company's sustainable high-quality development. When we carefully plan our business objectives, we will expand the Group's talent pool through a professional training system, attractive remuneration levels, an effective incentive mechanism, a positive corporate culture, and concern for the health and well-being of our employees.

FINANCIAL REVIEW

The Group generated revenue primarily from the following services, which include the provision of (i) branding services; (ii) traditional offline media advertising services; (iii) online media advertising services; (iv) event execution and production services; and (v) advertisement placement services (including rebates from Media Partner) to our customers. During the Reporting Period, our total revenue increased by 8.5% to RMB123.2 million from RMB113.6 million for the six months ended 30 June 2023, which was mainly attributable to the growth in the Group's revenue from the increase in the number of new customers in advertisement placement services.

Revenue Breakdown by Service Type

The table below sets forth the breakdown of our total revenue and percentage contribution to our revenue by business segments for the periods indicated:

	For the six months ended 30 June			
	2024		2023	
	RMB'000 **(unaudited)**	**Approximate % of total revenue %**	*RMB'000* (unaudited)	Approximate % of total revenue %
Branding services	**50,004**	**40.6%**	52,222	46.0%
Event execution and production services	**27,345**	**22.2%**	29,433	25.9%
Advertisement placement services (i)	**18,635**	**15.1%**	6,966	6.1%
Rebates from Media Partner (i)	**7,319**	**5.9%**	5,887	5.2%
Online media advertising services (ii)	**19,942**	**16.2%**	19,129	16.8%
Traditional offline media advertising services	**–**	**–**	–	–
Total	**123,245**	**100.0%**	113,637	100.0%

During the Reporting Period, we recorded period-to-period growth in revenue from "advertisement placement services" and "rebates from Media Partner", mainly due to the growth in the number of the Group's new customers. The revenue from "event execution and production services" and "branding services" declined slightly period-to-period, mainly due to the lower expected advertisement expenditure from advertisers. The increase in revenue in "rebates from Media Partner" was mainly due to the period-to-period growth in revenue from "advertisement placement services" business, which resulted in more advertisement placements on various platforms of the Media Partner, and hence a corresponding increase in the rebates offered to the Group by the Media Partner. The increase in revenue arising from some advertising agents ("**Relevant Advertising Agents**") drove the period-to-period increase in revenue from the "online media advertising services" business, and such revenue was recognised on a net basis, which most of the costs for the aforesaid services have been netted off with the gross revenue. No revenue was generated from "traditional offline media advertising services", mainly due to the Group's transition to focus on "online media advertising services" and "advertisement placement services" business.

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

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

According to HKFRS 15, "when an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or service to be provided by the other party. An entity's fee or commission would be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party". Therefore, the revenue from our advertisement placement services recognised under the net basis should be derived from the gross revenue deducting the amounts paid to the other party in exchange for the goods or services to be provided by that party, i.e. the amounts paid to the Media Partner to arrange for the relevant advertising services for the customers. The staff costs and depreciation in aggregate of approximately RMB0.9 million for the six months ended 30 June 2023 and RMB1.0 million for the Reporting Period, respectively, for the advertisement placement services would be separately represented as cost of sales and should not be deducted from the relevant gross revenue.

(ii) For the Relevant Advertising Agents under online media advertising services, we recognised revenue on a net basis. In accordance with HKFRS 15, for the six months ended 30 June 2023 and the Reporting Period, the direct costs incurred for our online media advertising services provided to the Relevant Advertising Agents had been deducted from the gross revenue to derive the revenue from these services under the net basis. Other than the above-mentioned costs paid to the suppliers, no other direct costs were incurred by us in relation to the online media advertising services provided to the Relevant Advertising Agents.

Cost of Services

The Group's cost of services increased from RMB44.6 million for the six months ended 30 June 2023 to RMB48.3 million for the Reporting Period, primarily attributable to the Group's increased revenue from the advertisement placement services and online media advertising services provided to the Relevant Advertising Agents during the Reporting Period.

Gross Profit and Gross Profit Margin

Th Group's overall gross profit and gross profit margin for the six months ended 30 June 2023 and the Reporting Period were affected by our cost of services, which were project specific and affected by our service mix, customised services we provided and scale of each project. As a result, the Group's gross profit and gross profit margin may vary from project to project.

The Group's gross profit increased from RMB69.1 million for the six months ended 30 June 2023 to RMB75.0 million for the Reporting Period, and the gross profit margin increased from 60.79% for the six months ended 30 June 2023 to 60.84% for the Reporting Period, mainly due to the increase in the Group's revenue from its advertisement placement services business (the revenue of which was recognized on a net basis).

Other Income and Other Losses, Net

The Group's other income decreased from RMB2.8 million for the six months ended 30 June 2023 to RMB1.2 million for the Reporting Period, primarily attributable to the expiry of the input tax credit policy and the tax credit benefit, resulting in a decrease of RMB2.5 million in VAT additional deductions.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased from RMB4.7 million for the six months ended 30 June 2023 to RMB5.9 million for the Reporting Period, mainly due to (i) the increase in salaries as a result of the increase in number of staff in our sales team and media operation team for business expansion; and (ii) the increase in office expenses mainly attributable to the increase in office equipment for our business expansion during the Reporting Period.

Administrative Expenses

The Group's administrative expenses (including listing expenses) decreased from RMB21.4 million for the six months ended 30 June 2023 to RMB19.9 million for the Reporting Period, primarily due to the decrease in listing expenses of approximately RMB2.2 million.

Liquidity and Capital Resources

As at 30 June 2024, the Group's cash and cash equivalents amounted to RMB141.0 million (denominated in RMB, HK$ and US$), representing a decrease of RMB30.0 million as compared with RMB171.0 million (denominated in RMB, HK$ and US$) as at 31 December 2023, primarily due to the increase in prepaid intangible asset and purchase of equipment expense.

During the Reporting Period, the Group financed our operation needs primarily through cash flows from operating activities and borrowings, the Group derived its cash flows from operating activities principally from the revenue from its principal activities. The Group will monitor our working capital positions from time to time to ensure maintaining sufficient cash resources for daily operations and capital expenditure needs.

Income Tax Expense

The Group's PRC corporate income tax expense increased from RMB6.3 million for the six months ended 30 June 2023 to RMB8.2 million in for the Reporting Period, which was mainly due to the further increase in the Group's profit before income tax expense for the Reporting Period.

Profit for the Reporting Period

As a result of the foregoing, for the six months ended 30 June 2023 and the Reporting Period, (i) the Group's profit was RMB34.4 million and RMB35.9 million, respectively; and (ii) the net profit margin (i.e. profit divided by revenue) was 30.3% and 29.1%, respectively.

Capital Structure

As at 30 June 2024 and up to the date of this announcement, the authorised share capital of the Company was US$50,000,000 divided into 1,000,000,000 shares of US$0.05 each, and the issued share capital of the Company was US$38,532,500 divided into 770,650,000 shares of US$0.05 each. There was no change to the authorised share capital and issued share capital of the Company during the Reporting Period.

Gearing Ratio

As at 30 June 2024, the Group's total borrowings were RMB175.0 million (loans were denominated in RMB). Among those borrowings, 9.7% of which were classified as non-current liabilities, and 90.3% of which were classified as current liabilities. For details of the Group's borrowings, please refer to note 13 to the condensed consolidated financial statements of this announcement.

As at 30 June 2024, the gearing ratio of the Group (being the sum of total bank and other borrowings and lease liabilities divided by total equity multiplied by 100%) increased to 60.8% as at 30 June 2024 from 48.3% as at 31 December 2023. Such increase was mainly due to the increase in bank borrowings of the Group during the Reporting Period.

Pledge of Assets

As at 30 June 2024, the Group had no pledged assets.

Non-HKFRS Measures

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

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

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**35,900**	34,396
Adding back: listing expenses	**–**	2,167
Adjusted profit (Non-HKFRS measure)	**35,900**	36,563

Foreign Exchange Risk Management

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

Employees

As of 30 June 2024, the Group had 235 full-time employees, all of whom are based in the PRC. The Group enters into a standard employment contract with each of our full-time employees with terms covering, among other things, position, salaries, employment term, working hours, leave arrangements and other benefits. The remuneration package the Group offers to our employees includes basic salary and discretionary bonuses. In general, we determine our employees' salaries based on, amongst others, their qualifications, seniority, working hours, performance, our financial performance and market wages. We generally review the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions annually. During the Reporting Period, the total staff remuneration expenses (including directors' emoluments) amounted to RMB8.7 million (six months ended 30 June 2023: RMB7.3 million).

Capital Expenditure

During the Reporting Period, the Group incurred capital expenditures due to the purchase of equipment and intangible assets. The Group's capital expenditure increased from RMB0.1 million for the six months ended 30 June 2023 to RMB5.6 million for the Reporting Period, which was primarily due to the increase in capital expenditures for office renovation. The Group financed its capital expenditure mainly through internal resources and bank borrowings.

Contingent Liabilities

As of 30 June 2024, the Group did not have any significant contingent liabilities.

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

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

Use of The Net Proceeds from the Global Offering

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

For details of the use of net proceeds from the Global Offering and the expected timetable of the unutilised funds, please refer to the interim report of the Company for the six months ended 30 June 2024, which will be published in due course.

Future Plans for Material Investments or Capital Assets

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

Events after the Reporting Period

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

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the Reporting Period, except for deviations from Code Provision C.1.8 and C.2.1 of the CG Code, the Company has complied with all applicable code provisions set out in the CG Code.

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

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

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries nor any of its consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, the Company did not hold any of treasury shares.

AUDIT COMMITTEE

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

During the Reporting Period, the Audit Committee comprises three independent non-executive Directors (i.e. Dr. He Weifeng, Mr. Peng Litang and Mr. Li Guangdou). Dr. He Weifeng is currently the chairman of the Audit Committee and has the appropriate professional qualifications.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Reporting Period, including the applicable accounting policies and accounting standards adopted by the Group, and is of the opinion that these statements have been prepared in compliance with the applicable Listing Rules. The Audit Committee is satisfied that these financial statements have been prepared in accordance with the applicable accounting standards and present fairly the financial position and results of the Group for the Reporting Period.

The interim condensed consolidated financial statements for the six months ended 30 June 2024 are unaudited, but have been reviewed by BDO Limited, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Results Announcement and 2024 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.youmeimu.com), and the interim report of the Company for the first half of 2024 containing all the information required by the Listing Rules will be despatched to the shareholders (if requested) and published on the above websites in due course.

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

Wuhan, the PRC, 28 August 2024

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