Lesi Group Limited
樂思集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2540

GLOBAL OFFERING

Sole Sponsor and Joint Overall Coordinator

華升資本
CHINA SUNRISE CAPITAL

Joint Overall Coordinator

華升證券
CHINA SUNRISE SECURITIES

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Lesi Group Limited
樂思集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total number of the Offer Shares under the Global Offering	:	125,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	12,500,000 Shares (subject to reallocation)
Number of International Offer Shares	:	112,500,000 Shares (subject to reallocation and Over-allotment Option)
Offer Price	:	Not more than HK$1.50 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US$0.001 per Share
Stock code	:	2540

Sole Sponsor and Joint Overall Coordinator

華升資本
CHINA SUNRISE CAPITAL

Joint Overall Coordinator, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

華升證券
CHINA SUNRISE SECURITIES

Joint Bookrunners and Joint Lead Managers (in alphabetical order)

農銀國際 ABC INTERNATIONAL
中銀國際 BOC INTERNATIONAL
交銀國際 BOCOM International
光銀國際 CEB INTERNATIONAL
中國銀河國際 CHINA GALAXY INTERNATIONAL

Joint Lead Managers (in alphabetical order)

長橋 LONGBRIDGE
东方证券 DFZQ 國際
東吳證券(香港) SOOCHOW SECURITIES (HONG KONG)
華盛証券

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies in Hong Kong and available on display — Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company on or before 12:00 noon on Wednesday, 6 March 2024 or such later time as may be agreed between the parties. If, for any reason, the Joint Overall Coordinators, for themselves and on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by 12:00 noon on Wednesday, 6 March 2024, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$1.50 per Share and is expected to be not less than HK$1.10 per Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$1.50 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% subject to refund if the Offer Price is lower than HK$1.50. Further details are set forth in "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in "Risk factors" in this prospectus.

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Offer Shares, the Joint Overall Coordinators, for themselves and on behalf of the Hong Kong Underwriters, has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, delivered, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the U.S. Securities Act or another exemption from registration under the U.S. Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.lscx.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

29 February 2024

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application:

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.lscx.com.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of Companies (WUMP) Ordinance.

Your application must be for a minimum of 2,500 Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$
2,500	3,787.82	40,000	60,605.10	200,000	303,025.50	1,000,000	1,515,127.50
5,000	7,575.63	45,000	68,180.73	250,000	378,781.88	1,500,000	2,272,691.26
7,500	11,363.46	50,000	75,756.38	300,000	454,538.26	2,000,000	3,030,255.00
10,000	15,151.28	60,000	90,907.66	350,000	530,294.63	2,500,000	3,787,818.76
12,500	18,939.10	70,000	106,058.93	400,000	606,051.00	3,000,000	4,545,382.50
15,000	22,726.91	80,000	121,210.20	450,000	681,807.38	3,500,000	5,302,946.26
17,500	26,514.73	90,000	136,361.48	500,000	757,563.76	4,000,000	6,060,510.00
20,000	30,302.56	100,000	151,512.76	600,000	909,076.50	4,500,000	6,818,073.76
25,000	37,878.19	125,000	189,390.93	700,000	1,060,589.26	5,000,000	7,575,637.50
30,000	45,453.83	150,000	227,269.13	800,000	1,212,102.00	5,500,000	8,333,201.26
35,000	53,029.47	175,000	265,147.31	900,000	1,363,614.76	6,250,000(1)	9,469,546.88

(1) Maximum number of the Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of SFC transaction levy and in the case of AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*We will issue an announcement in Hong Kong to be posted on the website of our Company at **www.lscx.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** if there is any change to the following expected timetable of the Hong Kong Public Offering.*

Hong Kong Public Offering commences from . . . . 9:00 a.m. on Thursday, 29 February 2024

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[(2)] . . . . 11:30 a.m. on Tuesday, 5 March 2024

Application lists open[(3)] . . . . 11:45 a.m. on Tuesday, 5 March 2024

Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and giving **electronic application instructions** to HKSCC[(4)] . . . . 12:00 noon on Tuesday, 5 March 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI System to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[(3)] . . . . 12:00 noon on Tuesday, 5 March 2024

Expected Price Determination Date[(5)] . . . . Wednesday, 6 March 2024

Announcement of:

(a) the final Offer Price;

(b) the level of indication of interest in the International Offering;

(c) the level of applications in the Hong Kong Public Offering; and

(d) the basis of allocation of the Hong Kong Offer Shares to be published on our website at **www.lscx.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on or before[(6) (7)] . . . . Thursday, 7 March 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

(1) in the announcement to be posted on our website at **www.lscx.com.cn**[(6)] and the website of the Stock Exchange at **www.hkexnews.hk**, respectively from . . . . Thursday, 7 March 2024

(2) from the results of allocations on designated website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from	11:00 p.m. on Thursday, 7 March 2024 to 12:00 midnight on Wednesday, 13 March 2024
(3) from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on	Friday, 8 March 2024, Monday, 11 March 2024, Tuesday, 12 March 2024 and Wednesday, 13 March 2024
Despatch of Share certificates or deposit of the share certificates to CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] [10]	Thursday, 7 March 2024
Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering to be collected	Friday, 8 March 2024
Despatch/collection of e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and/or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7] [9] [10]	Friday, 8 March 2024
Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on[7] [8]	Friday, 8 March 2024

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

2. You will not be permitted to submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 March 2024, the application lists will not open and close on that day. Further information is set out in "How to apply for the Hong Kong Offer Shares — E. Severe Weather Arrangements" in this prospectus. If the application lists do not open and close on Tuesday, 5 March 2024, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC through HKSCC EIPO channel or instructing your **broker** or **custodian** to apply on your behalf through HKSCC's FINI system should refer to "How to apply for the Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels" in this prospectus for further details.

5. The Price Determination Date is expected to be on or around Wednesday, 6 March 2024. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and us on or before 12:00 noon on Wednesday, 6 March 2024, the Global Offering will not proceed and will lapse immediately.

6. None of our website nor any of the information contained thereon forms part of this prospectus.

7. If there is a tropical cyclone warning signal number 8 or above, "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong from Thursday, 29 February 2024 to Friday, 8 March 2024 then the day of (i) announcement of the results of allocations under the Hong Kong Public Offering; (ii) despatch of share certificates/e-Refund payment instructions/refund cheques; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

8. Share certificates for the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, 8 March 2024, provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms at or before that time. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Shares on the basis of publicly available allocation details before the receipt of the share certificates or before the share certificates become valid evidence of title do so entirely at their own risk.

9. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/national identification document number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/national identification document number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/national identification document number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/national identification document number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to apply for the Hong Kong Offer Shares" in this prospectus.

10. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

    Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to "How to apply for the Hong Kong Offer Shares — D. Despatch/Collection of share certificates and refund of application monies" in this prospectus for details.

    Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions.

    Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Services Provider, in the form of refund cheques, by ordinary post at the applicants' own risk.

    Further information is set out in "How to apply for the Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and refund of application monies" in this prospectus.

11. The above expected timetable is a summary only. For further details in relation to the structure of the Global Offering, the procedures for applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and share certificates, see "Underwriting", "How to apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus.

    If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares. There are risks associated with any investment. Your investment decision should be made in light of these considerations.

OVERVIEW

We are a mobile advertising service provider in the PRC and mainly provide comprehensive mobile advertising services to our customers for marketing of their brands, products and/or services on media platforms operated by our media partners. We had a market share of approximately 0.1% in terms of gross billing in 2022 in the mobile advertising industry in the PRC. Our services include mobile marketing planning, traffic acquisition, production of ad creatives, ad placements, ad optimisation, ad campaign management and ad distribution. We aim at optimising publicity of mobile ads and maximising their exposure to target mobile users to achieve our customers' marketing goals and improve their ROI. We are capable of providing comprehensive mobile advertising solutions services as well as one or more of these services, such as production of ad creatives, ad optimisation and ad distribution, to customers to serve their different needs.

Over years of our operations since 2015, we have accumulated extensive experience in the mobile advertising industry and have served customers from different industries in the PRC. During the early years of our development in the mobile advertising industry, we mainly provided advertisement distribution services to our customers. Subsequently, we expanded more additional services, such as production of mobile ads in video format and ad optimisation services as standalone services, and developed into our mobile advertising solutions services to meet our customers' needs. During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software developers, leading content app developers in the PRC and members of companies listed on recognised stock exchanges. For the nine months ended 30 September 2023, we served 150 customers from various industries, covering technology and internet services, financial services and gaming industries in the PRC.

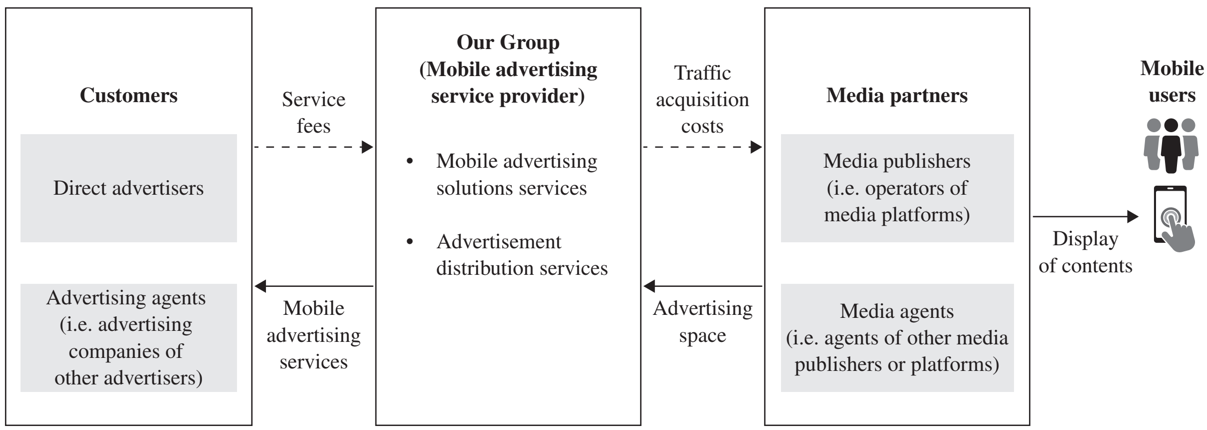
We believe that a network for ad distribution is crucial to our continuous development in the mobile advertising industry. Thus, we are committed to developing and establishing solid business relationship with reputable media partners to ensure a smooth and consistent supply of advertising space for our placement of mobile ads. As at 30 September 2023, we have established business relationship with 6 media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by these media publishers. These media platforms include leading short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. With an extensive network for ad distribution, we can place mobile ads to a wide spectrum of mobile users with different interests.

Our capacities to produce and optimise mobile ads are critical to our business growth. Advertisers are generally in greater need of value-added services from mobile advertising service providers and the provision of one-stop mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC. Thus, we keep ourselves abreast of the latest market trends and developments, focus our resources to develop and expand our capacities to provide value-added services to customers and enhance our competitiveness in the mobile advertising industry. We also consider that our in-house content production capacity is another driver to our business growth. We can formulate mobile marketing plans and produce ad contents to mobile users to increase the marketing effectiveness of an ad campaign. Our in-house content production team can produce ad contents to mobile users and produce mobile ads in still image format. Moreover, we monitor market trends closely and, in light of the change of reading and browsing habits of mobile users, we increased the offerings of our ad formats from still images and texts to short videos to meet market demands. We commenced production of mobile ads in video format in 2018 and set up a video production base with diverse shooting scenarios of different themes in Beijing in 2020. In September 2022, we relocated our video production base from

Beijing to Changsha to expand our production capacities and facilitate our growth and development. We are currently able to produce ad contents and ad creatives in text, image and/or video formats that meet the marketing goals of our customers. See "History and development — Business milestones" and "Business — Awards and recognitions" in this prospectus.

BUSINESS MODEL

Set out below is our simplified business model for our mobile advertising services:



Note: ——▶ *Denotes flow of business*
- - - -▶ *Denotes flow of funds*

Our customers consist of direct advertisers and advertising agents on behalf of their respective advertisers. Advertisers are the initiators of the value chain who are in need of advertising solutions for promotion of their products and services. Our media partners, being our suppliers, mainly include (i) media publishers, being operators of media platforms, that need to monetise their user traffic through offering advertising space on their media platforms and (ii) media agents of other media publishers. Mobile users are the final consumers and the recipients of the mobile ads. We provide or distribute mobile advertising contents to mobile users through our media partners.

Role of our Group

As a mobile advertising service provider, our role is the bridge linking advertisers and media platforms. We have established close relationship with top media platforms and have accumulated industry experience in provision of tailored and all-rounded mobile advertising services to advertisers to optimise their advertising strategies, improve marketing efficiency and enhance their ROI. Thus, advertisers generally engage a mobile advertising service provider for advertising services. Moreover, it is uncommon and not economically efficient for top media publishers to transact with advertisers directly, as (i) they generally do not offer value-added services to advertisers as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve desired results; and (ii) monetisation of user traffic is more economically efficient than provision of value-added services to advertisers.

Our mobile advertising solutions services

Our mobile advertising solutions services include mobile marketing planning, production of ad creatives, traffic acquisition, ad placements, ad optimisation, ad campaign management and ad distribution. We are capable of providing comprehensive services as well as standalone services to customers to meet their different needs. We act as a principal. During the Track Record Period, we provided our customers with one or more of our all-rounded mobile advertising solutions services, such as purchase of advertising space from our media partners, video production and ad optimisation services. We recognise revenue from mobile advertising solutions services on gross basis. Our revenue from mobile advertising solutions services accounted for approximately 90.9%, 92.1%, 92.2% and 96.0% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. The cost of our mobile advertising solutions services primarily include traffic acquisition costs, video production costs and employee benefit expenses. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our traffic acquisition costs accounted for approximately 97.0%, 96.7%, 96.9% and 97.6% of our total cost of services for the corresponding years/period, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our gross profit margin of our mobile advertising solutions services was approximately 12.4%, 13.1%, 14.2% and 12.0%, respectively.

Our advertisement distribution services

Our advertisement distribution services include acquisition of advertising space and ad distribution, being standalone services. We act as an agent. We purchase advertising space from our media partners for our customers. It involves the practice of arbitrage where we purchase advertising space and sell them to our customers. We are committed to providing advertising space to our customers to maximise their exposure to target mobile users such that they can achieve marketing goals and improve performance. We recognise revenue from advertisement distribution services on net basis. Our media partners provide us with rebates. We may incentivise our customers by passing on a portion of the rebates to them. See ‘‘Business — Pricing models — rebates’’ in this prospectus. Our revenue from advertisement distribution services accounted for approximately 9.1%, 7.9%, 7.8% and 4.0% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. The cost of our advertisement distribution services comprises traffic acquisition costs. The gross billing margin under advertisement distribution services, calculated as gross billing net cost of services divided by gross billing, was approximately 12.0%, 10.3%, 10.2% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively.

Our mobile advertising solutions services include advertisement distribution services as part of our services. Our costs for the mobile advertising solutions services and advertisement distribution services primarily consist of traffic acquisition cost for acquisition of advertising space from media partners.

Revenue by industry verticals of customers

The following table sets forth a breakdown of revenue of our mobile advertising services by industry verticals of our customers for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Technology and internet services(1)	295,907	78.4	305,779	65.0	272,982	55.4	181,115	51.6	368,626	74.1
Gaming	874	0.2	3,893	0.8	16,724	3.4	12,036	3.4	763	0.2
Financial services	6,955	1.9	4,684	1.0	3,586	0.7	2,406	0.7	5,734	1.2
Publishing media	136	0.0	99	0.0	13,721	2.8	11,045	3.2	13,124	2.6
E-commerce	582	0.2	6,376	1.4	18,855	3.8	16,116	4.6	226	0.0
Medical health	—	0.0	7,374	1.6	6,465	1.3	6,346	1.8	438	0.1
Travel	171	0.0	1,162	0.2	27,568	5.6	21,908	6.2	38	0.0
Energy	—	0.0	6,114	1.3	9,681	2.0	5,876	1.7	6,872	1.4
Others(2)	153	0.0	3,279	0.7	936	0.2	544	0.2	2	0.0
Advertising agents(3)	72,889	19.3	131,420	28.0	122,052	24.8	93,279	26.6	101,438	20.4
	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Notes:

(1) Include technology companies which provide a wide range of products and services including app store, social media platforms, search engines, video sharing and browsing app, news app, etc.

(2) Others primarily include education, real estate, business services, sports and food and beverage industries, etc.

(3) Advertising agents are advertising companies, which generally do not maintain a large team of manpower for handling ad placements requests and/or in-house production of mobile ads. They engaged us for mobile advertising services on behalf of their own customers, which are direct advertisers from various industries. See ‘‘Business — Our Business — Customers’’ in this prospectus.

During the Track Record Period, we generated majority of our revenue from customers which are engaged in the technology and internet services. Our revenue from this industry remained relatively stable for the years ended 31 December 2020 and 2021 and amounted to approximately RMB295.9 million and RMB305.8 million, respectively. The decrease in our revenue from this industry to approximately RMB273.0 million for the year ended 31 December 2022 was mainly attributable to the decrease in advertising budgets of our customers from the technology and internet services industry as our customers may adjust their business and marketing plans from time to time in response to market trends and demands. The increase in our revenue from this industry from approximately RMB181.1 million for the nine months ended 30 September 2022 to approximately RMB368.6 million for the nine months ended 30 September 2023 was mainly attributable to the strong marketing demand from a new customer, namely Customer M.

Further details, see ‘‘Business — Our customers — Industry verticals of our customers’’ and ‘‘Financial information — Key components of our results of operations’’ in this prospectus.

PRICING MODELS

We charge our customers primarily based on CPC, CPM, CPD, CPA and/or CPT basis. CPC (cost per click), CPD (cost per download) and CPA (cost per action) are pricing models that are performance-based and under which we charge our customers when and if a mobile user clicks the mobile ads or downloads an app by clicking the path in the mobile ad. CPM (cost per mille) and CPT (cost per time) are pricing models that are non-performance-based. Our mobile advertising solutions services and advertisement distribution services adopted the pricing models of CPA, CPC, CPM, CPD and/or CPT. For our mobile advertising solutions services, we generally propose a marketing plan package to our customers, which includes our marketing plan, the estimated traffic acquisition costs and how we charge the mobile ads posted on the media platforms (as the case may be). During the Track Record Period, for all of the cases, the pricing mechanism that we agreed with our media partners was the same as the pricing mechanism that we agreed with our customers in order to minimise our business risks.

Our provisions of the mobile advertising solutions services and the advertisement distribution services involve the assessment of revenue recognition on a gross or net basis. Our roles and responsibilities in conducting these 2 types of services are different. As such, we recognise our revenue on different basis in accordance with IFRS 15. For details, see "Business — Pricing models — Gross method and net method on revenue recognition" in this prospectus.

In revenue recognition, we adopt gross method when we act as a principal and net method when we act as an agent. The following table sets forth certain key features of our business under gross method and net method:

	Gross method (i.e. when we act as a principal)	**Net method (i.e. when we act as an agent)**
Services	Mobile advertising solutions services (i.e. mobile marketing planning, traffic acquisition, ad production, ad placing, optimising mobile ads, ad publication or distribution and/or overall management of ad campaigns).	Advertisement distribution services (i.e. traffic acquisition and ad distribution services).
Key roles and responsibilities	Upon receiving ad campaign orders from customers, we generally provide mobile marketing planning, produce ad creatives, set campaign parameters, bid for advertising space, acquire advertising space from media partners and/or upload mobile ads to media platforms. Subsequently, we monitor, collect, analyse ad performance data and optimise campaign performance.	Upon receiving ad campaign orders from customers, such as advertising agents, we acquire advertising space from media partners for the customers and/or upload customers' mobile ads to media platforms.
Rebates earned from media partners	Primarily based on gross spending of our total traffic acquisition costs. Since we can control the process of content generation to meet our customer's needs, we recognise the transaction on a gross method with reference to IFRS 15. And, rebates from media partners are recorded as reduction of cost of services under gross method.	Primarily based on gross spending of our total traffic acquisition costs. Since we only distribute mobile ads on media platforms determined by our customers and do not control the specified services before they are delivered to our customers, we recognise the transaction on a net method with reference to IFRS 15. And, rebates from media partners are recorded as an increase of revenue under net method.
Rebates offered to customers	Generally offered according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under gross method.	Generally offered according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under net method.

	Gross method (i.e. when we act as a principal)	**Net method (i.e. when we act as an agent)**
Payment schedule and obligations	We either require prepayment of service fees from our customers or grant them a credit period of up to 90 days from the date of invoice after publication of mobile ads. Customers are generally obligated to settle our payment by wire transfer.	We either require prepayment of service fees from our customers or grant them credit periods of 15 to 45 days from the date of invoice after publication of mobile ads. Customers are generally obligated to settle our payment by wire transfer.
Pricing mechanisms	Customers are primarily charged based on a mix of CPC, CPD, CPT, CPA and CPM.	Customers are primarily charged based on a mix of CPC, CPD, CPT, CPA and CPM.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the total rebates from media partners amounted to approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, of which we passed on to our customers approximately RMB60.8 million, RMB86.0 million, RMB57.0 million, RMB43.3 million and RMB73.7 million, respectively. We would make accruals for the rebates based on estimation and make adjustment when the media partners confirmed the rebates. For details, see Notes 2 and 3(b)(i) of the Accountants' Report set out in Appendix I to this prospectus.

CUSTOMERS AND SUPPLIERS

Our customers

During the Track Record Period, our customers primarily consisted of (i) direct advertisers, being companies from different industries with advertising needs to promote their brands, products and/or services on media platforms and (ii) advertising agents, being advertising companies engaging us on behalf of their advertisers. Our 5 largest customers in each year/period during the Track Record Period collectively accounted for approximately 75.4%, 67.3%, 48.0% and 68.7% of our total revenue, respectively, and our revenue generated from our largest customer in each year/period during the Track Record Period accounted for approximately 31.0%, 24.0%, 16.3% and 40.8% of our total revenue, respectively. We have maintained amiable and strategic business relationships with our 5 largest customers in each year/period during the Track Record Period for about 1 to 6 years as at the Latest Practicable Date, all of which are Independent Third Parties. See "Business — Customers" in this prospectus for further details.

Movement and average revenue of our customers

The following table sets forth the movement of our customers for each type of our services and our average revenue generated from these customers for the years/periods indicated:

	For the year ended 31 December												For the nine months ended 30 September							
	2020				2021				2022				2022				2023			
	Number[1]	Revenue *RMB'000*	% of revenue	Average[2] *RMB'000*	Number[1]	Revenue *RMB'000*	% of revenue	Average[2] *RMB'000*	Number[1]	Revenue *RMB'000*	% of revenue	Average[2] *RMB'000*	Number[1]	Revenue *RMB'000* *(unaudited)*	% of revenue	Average[2] *RMB'000* *(unaudited)*	Number[1]	Revenue *RMB'000*	% of revenue	Average[2] *RMB'000*
Mobile advertising solutions services[1&3]	35	343,438	90.9	9,813	52	433,250	92.1	8,332	181	454,156	92.2	2,509	164	325,742	92.9	1,986	106	477,306	96.0	4,503
Advertisement distribution services	203	34,229	9.1	169	189	36,930	7.9	195	114	38,414	7.8	337	10	24,929	7.1	2,493	44	19,955	4.0	454
Total	238	377,667	100.0	1,587	241	470,180	100.0	1,951	295	492,570	100.0	1,670	174	350,671	100.0	2,015	150	497,261	100.0	3,315

Notes:

1. Number of customers for our mobile advertising solutions services includes the customers which engage us for both of our mobile advertising solutions services and advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, there were 4, 0, 10, 8 and 8 customers which engaged us for both services, respectively. These customers were not included in the number of customers for our advertisement distribution services.

2. It refers to the average revenue per customer.

3. During the Track Record Period, there were migration of customers from our advertisement distribution services to mobile advertising solutions services leveraging on the continual effort of our management. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, (i) there were 13, 4, 88, 61 and 3 customers migrated to our mobile advertising solutions services, respectively, and (ii) our revenue generated from these migrated customers amounted to approximately RMB56.0 million, RMB122.3 million, RMB136.3 million, RMB79.8 million and RMB2.6 million, respectively. For details of the fluctuations in the customers migration during the Track Record Period, see "Business — Our Customers — Movement and average revenue of our customers — Changes in the number of customers for our mobile advertising solutions services" in this prospectus.

During the Track Record Period, we expanded our mobile advertising solutions services in light of the increase in demand for value-added services from customers and after having considered that the provision of mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC. During the Track Record Period, we served customers with different scale and advertising needs. Customers' advertising needs and budgets may vary from year to year and we would explore business opportunities with new customers as and when opportunities arise. Accordingly, there may be fluctuations in our average revenue per customer and the number of our customers may increase or decrease from time to time. See "Risk factors — Risks relating to our business and industry — Any change in advertising needs or adverse impact on the business of our Group's customers may affect our business" in this prospectus.

Changes in the number of customers for our mobile advertising solutions services and advertisement distribution services

For the years ended 31 December 2020, 2021 and 2022, there was an increase in the number of customers for our mobile advertising solutions services, being 35, 52 and 181 customers, respectively. Such increase was mainly attributable to the enhanced efforts of our management to expand our mobile advertising solutions services. For the years ended 31 December 2021 and 2022, the significant increase in the number of customers for our mobile advertising solutions services was mainly attributable to the migration of 88 customers from our advertisement distribution services as we expanded our mobile advertising solutions services and explored new business opportunities with existing customers. For the nine months ended 30 September 2022 and 2023, we had 164 and 106 customers for our mobile advertising solutions services, respectively. Despite the decrease in the number of customers in 2023, there was an increase in our revenue from mobile advertising solutions services from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023. The decrease in the number of customers for the nine months ended 30 September 2023 was mainly attributable to the focus of our resources to serve Customer M, which was our largest customer for the nine months ended 30 September 2023 and had a strong demand for our mobile advertising solutions services, particularly the need for our mobile ads in short video format. Our Directors consider that, with enhanced production capacities, we will be able to serve more customers and increase the number of customers for our mobile advertising solutions services.

For the years ended 31 December 2020, 2021 and 2022, there was a decrease in the number of customers for our advertisement distribution services, being 203, 189 and 114 customers, respectively. Such decrease (including the significant decrease in 2022) was mainly attributable to our effort in serving customers with greater advertising needs in general and the migration of 88 customers from our advertisement distribution services to our mobile advertising solutions services in 2022 as explained above. Despite such decrease in the number of customers for advertisement distribution services, there was an increase in our revenue generated from which for the years ended 31 December 2020, 2021 and 2022 amounting to approximately RMB34.2 million, RMB36.9 million and RMB38.4 million, respectively. For the nine months ended 30 September 2022 and 2023, we had 10 and 44 customers for our advertisement distribution services, respectively. Such increase was mainly attributable to the increase in new customers as we explored new business opportunities and developed business relationship with new customers.

Changes in the average revenue per customer for our mobile advertising solutions services and advertisement distribution services

For the years ended 31 December 2020, 2021 and 2022, the average revenue per customer for our mobile advertising solutions services amounted to approximately RMB9.8 million, RMB8.3 million and RMB2.5 million, respectively. The decrease was mainly attributable to the continuous expansion and enlarged customer base of our mobile advertising solutions services. The significant decrease in 2022 was mainly attributable to (i) the migration of 88 customers from our advertisement distribution services to our mobile advertising solutions services and these customers generally have lower average spending, (ii) the decrease in advertising budgets of our customers from technology and internet services industry in 2022 as our customers may adjust their business and marketing plans from time to time in response to market trends and demands, and (iii) the new customers of our mobile advertising solutions services were of different budget range and these new customers, as first time users of our services, tended to place mobile ads with our Group on trial basis. For the nine months ended 30 September 2022 and 2023, the average revenue per customer for mobile advertising solutions services amounted to approximately RMB2.0 million and RMB4.5 million, respectively. Such increase was mainly due to our effort to serve customers with greater advertising needs, such as Customer M which had a strong marketing demand for promotion of its business.

For the years ended 31 December 2020, 2021 and 2022, the average revenue per customer for our advertisement distribution services amounted to approximately RMB169,000, RMB195,000 and RMB337,000, respectively. Such increase was mainly attributable to our effort to serve customers with greater advertising needs for our advertisement distribution services. For the nine months ended 30 September 2022 and 2023, the average revenue per customer for our advertisement distribution services amounted to approximately RMB2.5 million and RMB454,000, respectively. Such decrease was mainly attributable to the increase in number of customers as we explored new business opportunities and developed business relationship with new customers. For the nine months ended 30 September 2023, our revenue from advertisement distribution services only accounted for approximately 4.0% of our total revenue.

See "Business — Our customers — Movement and average revenue of our customers" in this prospectus.

Our suppliers

During the Track Record Period, our major suppliers were mainly our media partners, which comprised of (i) media publishers, which are operators of media platforms, such as search engines, news and information content platforms, short video platforms, mobile browsers, app stores and social media platforms, and (ii) media agents of other media publishers. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our 5 largest suppliers in each year/period during the Track Record Period aggregately accounted for approximately 92.5%, 93.9%, 70.5% and 88.8% of our cost of services, respectively, and our cost of services from our largest supplier in each year/period during the Track Record Period accounted for approximately 33.8%, 32.7%, 19.4% and 51.5% of our cost of services, respectively. During the Track Record Period, we rely on the few media partners for acquisition of advertising space.

Despite our cessation of business relationship with Supplier A since May 2023, we have maintained business relationship with our other 5 largest suppliers in each year/period during the Track Record Period for about 2 to 8 years, as at the Latest Practicable Date. All of our 5 largest suppliers in each year/period during the Track Record Period are Independent Third Parties.

See "Business — Suppliers" in this prospectus for further details.

Overlapping of customers and suppliers

We provide mobile advertising services to some of our media partners, which have the advertising needs to market their brands, products and/or services on media platforms operated by other media partners. Therefore, some of our major suppliers were also our customers during the Track Record Period. See "Business — Overlapping of customers and suppliers" in this prospectus for further details.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our growth and differentiate us from our competitors:

- established relationship with top media partners operating leading media platforms in the PRC
- capable of providing tailored and all-rounded advertising solutions supported by our in-house content production team
- established business relationship with customers of different scale and advertising needs
- a dedicated and stable management team since our operation in 2015 which has been essential in driving the growth of our business

STRATEGIES

Our goal is to maintain and strengthen our position in the mobile advertising industry in the PRC and to further expand our market presence. To achieve this goal, we plan to pursue the following business strategies:

- continue to expand our mobile advertising business in the PRC
- continue to expand our short video production capacities
- enhance and upgrade the functions of our self-developed platform
- explore business collaboration and merger and acquisition opportunities with well-established companies

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk factors" of this prospectus. Before you decide to invest in our Shares, you are invited to read that section in its entirety carefully. Some of the major risks we face are summarised as follows:

- we rely on our 5 largest suppliers in each year/period during the Track Record Period, particularly Alibaba Group, Supplier A and Supplier C, to acquire advertising space for placement of mobile ads
- we may fail to retain, deepen or expand our relationship with the existing or new media partners which are crucial to our business operation and future development
- the return from our advertisement distribution services may diminish
- any decrease in the rebates offered by our media partners may have adverse effect on our business and results of our operations
- our exposure to risk of disintermediation if our media partners transact with advertisers directly
- our ability to provide effective proposal on bidding price for advertising space may affect the results of ad placements and the effectiveness of our customers' mobile ads
- we generated more than half of our revenue from our 5 largest customers in each year/period for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2023
- the competition of the mobile advertising industry is fragmented and competitive
- we may face certain risks in adaptation to technological developments in the mobile advertising industry
- we may face certain risks in collecting our trade receivables, and any failure to collect receivables from our customers could have a material adverse effect on our business, financial condition and results of operations
- we may make prepayments to suppliers before arranging the bidding of advertising space which may impose substantial cash requirements for funding our services and expose our Group to credit and liquidity risks as well as working capital insufficiency due to the mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers and we may not be able to recover our prepayments in a timely manner from our media partners
- we had net cash used in operating activities for the year ended 31 December 2020 and the nine months ended 30 September 2023

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme), Ka Lok BVI will hold 71.25% of the issued share capital of our Company. Ka Lok BVI is owned as to (i) 57.77% by Quartet Yutong BVI, which is solely owned by Mr. Zhao, (ii) 35.55% by Remit Sheng BVI, which is solely owned by Mr. Yu, (iii) 6.67% by Jing Sing BVI, which is solely owned by Ms. Shu, the spouse of Mr. Yu, and (iv) 0.01% by Jiang Oofy BVI, which is solely owned by Mr. Nie. As such, Ka Lok BVI, Quartet Yutong BVI, Mr. Zhao, Remit Sheng BVI, Mr. Yu, Jing Sing BVI, Ms. Shu, Jiang Oofy BVI and Mr. Nie will become our Controlling Shareholders as defined in the Listing Rules upon Listing. See "Relationship with Controlling Shareholders" in this prospectus for further details.

THE PRE-IPO INVESTOR

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme), the Pre-IPO Investor will hold 3.75% of the enlarged issued share capital of our Company. The Pre-IPO Investor is a company incorporated in Singapore with limited liability and has a focus of its investment in the technology, media and telecommunications industry and education industry. See ''History and development — Pre-IPO Investment'' in this prospectus for further details.

KEY FINANCIAL INFORMATION

Our key financial information set forth below has been derived from the Accountants' Report in Appendix I to this prospectus, and should be read in conjunction with our financial information therein including the accompanying notes and the section headed ''Financial information'' in this prospectus.

Key consolidated statements of comprehensive income

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	377,667	470,180	492,570	350,671	497,261
Cost of services	(300,810)	(376,489)	(389,517)	(285,409)	(420,234)
Gross profit	76,857	93,691	103,053	65,262	77,027
Profit before income tax	51,674	59,669	71,013	41,361	50,475
Profit for the year/period	49,773	57,488	68,307	39,996	48,911
— Equity shareholders of the Company	49,773	57,488	67,290	39,889	48,419
— Non-controlling interests	—	—	1,017	107	492

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, we recorded revenue of approximately RMB377.7 million, RMB470.2 million, RMB492.6 million, RMB350.7 million and RMB497.3 million, respectively, and net profit of approximately RMB49.8 million, RMB57.5 million, RMB68.3 million, RMB40.0 million and RMB48.9 million, respectively. The revenue for the year ended 31 December 2021 increased mainly due to the increase in demand from customers of mobile advertising solutions services. The increase in revenue for the year ended 31 December 2022 was primarily due to the increase in demand for our mobile advertising solutions services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our net profits gradually increased and is generally in line with the increase in revenue and gross profit. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, we recorded gross profit of approximately RMB76.9 million, RMB93.7 million, RMB103.1 million, RMB65.3 million and RMB77.0 million, respectively, with gross profit margin of approximately 20.4%, 19.9%, 20.9%, 18.6% and 15.5%, respectively. For the years ended 31 December 2020, 2021 and 2022, our gross profit gradually increased mainly due to increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin decreased from approximately 18.6% for the nine months ended 30 September 2022 to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in our traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and (ii) the decrease in our revenue from advertisement distribution services.

Key consolidated statements of financial position

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	1,483	4,921	3,532	2,377
Current assets	381,581	459,922	499,093	569,438
Current liabilities	146,650	168,492	139,802	160,482
Net current assets	234,931	291,430	359,291	408,956
Non-current liabilities	357	2,807	1,049	479
Net assets	236,057	293,544	361,774	410,854
Total equity attributable to:				
— Equity shareholders of the Company	236,057	293,544	360,519	409,107
— Non-controlling interests	—	—	1,255	1,747

Our net current assets increased from approximately RMB234.9 million as at 31 December 2020 to approximately RMB291.4 million as at 31 December 2021 primarily due to the increase in current assets, mainly attributable to increase in trade and other receivables, being partially offset by increase in current liabilities, mainly attributable to increase in trade and other payables. It further increased to approximately RMB359.3 million as at 31 December 2022, primarily due to the decrease in bank and other loans, and contract liabilities, and increase in current assets, mainly attributable to increase in trade and other receivables. As at 30 September 2023, our net currents assets increased to approximately RMB409.0 million mainly due to increase in trade and other receivables, being partially offset by increase in contract liabilities. Our net current assets further increased to approximately RMB424.7 million as at 31 December 2023. See "Financial information — Major components of consolidated statements of financial position — Net current assets" in this prospectus.

Our net assets increased from approximately RMB236.1 million as at 31 December 2020 to approximately RMB293.5 million as at 31 December 2021, primarily attributable to our profit for the year of approximately RMB57.5 million in 2021. As at 31 December 2022, our net assets increased to approximately RMB361.8 million, primarily attributable to our profit for the year of approximately RMB68.3 million in 2022. As at 30 September 2023, our net assets increased to approximately RMB410.9 million, primarily attributable to our profit for the period of approximately RMB48.9 million in 2023.

Key consolidated cash flow statements

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash (used in)/generated from operating activities	(14,307)	43,245	14,524	13,029	(57,391)
Net cash generated from/(used in) investing activities	388	(155)	(24)	(37)	(132)
Net cash generated from/(used in) financing activities	3,804	(13,077)	(11,207)	(14,924)	12,965
Net (decrease)/increase in cash and cash equivalents	(10,115)	30,013	3,293	(1,932)	(44,558)
Cash and cash equivalents at the beginning of the year/period	36,016	25,896	55,908	55,908	59,195
Effect of foreign exchange rate changes	(5)	(1)	(6)	(7)	(2)
Cash and cash equivalents at the end of the year/period	25,896	55,908	59,195	53,969	14,635

Our net cash used in operating activities amounted to approximately RMB14.3 million for the year ended 31 December 2020. This net cash outflow was primarily attributable to our profit before income tax of approximately RMB51.7 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB1.7 million, depreciation of approximately RMB1.6 million and finance costs of approximately RMB3.0 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB37.5 million; (b) changes in trade and other payables of approximately RMB29.5 million; and (c) changes in contract liabilities of approximately RMB4.4 million; and (iii) income tax paid of approximately RMB0.6 million.

Our net cash used in operating activities was approximately RMB57.4 million for the nine months ended 30 September 2023. This net cash outflow was primarily attributable to our profit before income tax of approximately RMB50.5 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB6.1 million, depreciation of approximately RMB1.6 million and finance costs of approximately RMB1.4 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB118.7 million; (b) changes in trade and other payables of approximately RMB4.4 million; and (c) changes in contract liabilities of approximately RMB7.4 million; and (iii) income tax paid of approximately RMB1.3 million.

See ''Financial information — Liquidity and capital resources — Net cash (used in)/generated from operating activities'' in this prospectus.

We recorded negative operating cash flow of approximately RMB14.3 million and RMB57.4 million for the year ended 31 December 2020 and the nine months ended 30 September 2023, respectively. We plan to improve our net operating cash flow position in view of potential net operating cash inflows which we expect to generate. As our business develops, we expect to improve our negative cash flow position from our operations by generating more net cash from our operating activities, and improving our cost control and operating efficiency. With an aim to improve our operating cash flow positions, we would (i) adopt enhanced measures to more effectively control our cost and operating expenses leveraging our economies of scale; (ii) optimise our liquidity to gain a better return for our Shareholders and maintain adequate risk control; (iii) more closely monitor and manage the settlement of our trade receivables, with active and regular communication between our sales department and our customers on the settlement dates and assessment of appropriate course of action with our legal team which will take appropriate legal actions if necessary, to avoid credit losses; and (iv) more closely monitor the settlement of our trade payables to achieve better cash flow position.

We would also conduct enhanced credit assessments by our sales and marketing department on our new customers based on our established customer credit assessment criteria, including, among others, the potential customer's reputation, their client base, existing liability condition, financial and other background information.

Key financial ratios

The following table sets forth a summary of our key financial ratios for the periods indicated and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	As at/For the year ended 31 December			As at/For the nine months ended 30 September
	2020	2021	2022	2023
Current ratio	2.6	2.7	3.6	3.5
Gearing ratio	20.5%	14.8%	10.0%	12.6%
Interest coverage ratio (times)	18.1	19.5	45.6	37.7
Return on total assets	13.0%	12.4%	13.6%	11.4%
Return on equity	21.1%	19.6%	18.9%	15.9%
Net profit margin	13.2%	12.2%	13.9%	9.8%

For details, see ''Financial information — Summary of financial ratios'' in this prospectus.

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

Mobile advertising has a huge lead in online advertising industry. According to the iResearch Report, the market size of mobile advertising industry in the PRC, as measured by total advertising gross billing, increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022, with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. With the popularity of mobile devices and user migration pattern across media platforms, the share of mobile advertising as a proportion of online advertising gradually increased. Mobile advertising industry accounted for around 88.9% of the online advertising industry in the PRC in 2022 and it is expected to reach approximately 87.8% in 2027.

According to the iResearch Report, the mobile advertising market is fragmented and competitive with the 5 largest players accounting for approximately 9.6% of market share in terms of gross billing in 2022. We are one of the service providers in the mobile advertising industry in the PRC with a market share of approximately 0.1% in terms of gross billing in 2022. We only act as a relatively small market player in the industry and may face keen competition from other market players. Our competitors primarily include other mobile advertising service providers. Our ability to compete successfully depends on many factors, including price, choice of media platforms, availability of quality advertising space, the effectiveness of technologies, the quality of customer services and our ability to increase the ROI of our customers.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2023

The following profit estimate has been prepared based on the audited consolidated results of our Group for the nine months ended 30 September 2023, the unaudited consolidated results of our Group for the two months ended 30 November 2023 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2023. The profit estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to this prospectus. See "Appendix IIB — Profit estimate" in this prospectus for further details.

Estimated consolidated profit attributable to equity shareholders of the Company .... Not less than RMB65.0 million

GLOBAL OFFERING STATISTICS

125,000,000 Offer Shares will initially be made available under the Global Offering comprising the Hong Kong Public Offering of initially 12,500,000 Offer Shares (subject to reallocation) and the International Offering of initially 112,500,000 Offer Shares (subject to reallocation and the Over-allotment Option).

	Based on Offer Price of HK$1.10 per Share	**Based on Offer Price of HK$1.50 per Share**
Market capitalisation of our Shares (1)	HK$550 million	HK$750 million
Unaudited pro forma adjusted net tangible assets per Share (2)	RMB1.03 (equivalent to approximately HK$1.12)(3)	RMB1.12 (equivalent to approximately HK$1.21)(3)

Notes:

(1) The calculation of market capitalisation is based on 500,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme).

(2) The unaudited pro forma adjusted net tangible assets per Share was calculated after adjustments as specified in "Appendix IIA — Unaudited pro forma financial information" to this prospectus. The unaudited pro forma adjusted net tangible assets per Share does not take into account of the exercise of the Over-allotment Option and any shares which may be issued or repurchased by the Company pursuant to the general mandates. The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted into Hong Kong dollar at a rate of RMB1.00 to HK$1.0844. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate.

(3) No adjustment has been made to reflect any trading result, dividends declared or other transactions of the Group entered into subsequent to 30 September 2023.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$108.6 million (equivalent to approximately RMB100.1 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming the initial Offer Price of HK$1.30 per Share, being the mid-point of the Offer Price range set forth on the cover page of this prospectus. It is expected that net proceeds from the Global Offering will be used as follows:

Future Plans	% of the net proceeds	HKD million	(equivalent to RMB million)
To expand our mobile advertising business in the PRC	40.0	43.4	40.1
To expand our short video production capacities	20.0	21.7	20.0
To enhance and upgrade the functions of our self-developed platform	20.0	21.7	20.0
To explore business collaboration and merger and acquisition opportunities with well-established companies	10.0	10.9	10.0
General working capital	10.0	10.9	10.0
Total	100.0	108.6	100.1

For the expected implementation timetable and other details, see ''Business — Strategies and future plans'' and ''Future plans and use of proceeds — Use of proceeds'' in this prospectus.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we did not declare or pay any dividends to our Shareholders. After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. For details, see ''Summary of the constitution of our Company and Cayman Islands company law'' in Appendix III to this prospectus. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution, including in certain circumstances, share premium. Dividends declared in the past may not be indicative of our future dividend policy. Our Board has the absolute discretion to recommend any dividend. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in the PRC. See ''Industry overview — Impact of COVID-19 to the internet market'' in this prospectus. Our financial performance during the Track Record Period serves as a fine proof and we had continuous increase in our revenue, gross profit and net profit. See ''Key financial information — Key consolidated statements of comprehensive income'' in this section. Moreover, our Directors consider that the resurgence of COVID-19 pandemic in early 2022 has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date. See ''Business — Impact of outbreak of COVID-19 on our business'' in this prospectus. See ''Risk factors — Risks related to our business and industry — We face risks related to natural disasters and health epidemics''and ''Risk factors — Risks relating to doing business in the PRC — The PRC's economic and social conditions and government policies, as well as the global economy, may continue to affect our business'' in this prospectus.

LISTING EXPENSES

The listing expenses primarily consist of professional fees, underwriting commission, and other fees and expenses in relation to the Listing and the Global Offering. The estimated total listing expenses for the Global Offering are approximately HK$53.9 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), representing approximately 33.2% of the gross proceeds from the Global Offering. The estimated total listing expenses consist of (i) underwriting-related expenses of approximately HK$8.1 million, and (ii) non-underwriting-related expenses of approximately HK$45.8 million, including (a) fees and expenses of the Company's legal advisers and auditors and reporting accountants of approximately HK$32.1 million; and (b) other fees and expenses of approximately HK$13.7 million. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we incurred listing expenses of approximately HK$37.2 million, of which approximately HK$30.0 million was charged to our consolidated statements of comprehensive income for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and the remaining amount of approximately HK$7.2 million was included in other receivables and will be subsequently charged to equity. We estimate that listing expenses of approximately HK$16.7 million will be incurred upon Listing, of which approximately HK$4.5 million will be charged to the consolidated statement of comprehensive income for the year ended 31 December 2023, and approximately HK$12.2 million will be charged to equity.

RECENT DEVELOPMENT

Regulatory update — Overseas listing

The CSRC promulgated the Overseas Listing Trial Measures and 5 relevant guidelines on 17 February 2023, which took effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedures with the CSRC and report relevant information. As advised by our PRC Legal Adviser, the Listing, together with the Global Offering, is an indirect overseas offering under the Overseas Listing Trial Measures and we are required to complete the filing procedures with CSRC and report relevant information with respect to the Listing after the submission of our listing application to the Stock Exchange. Our Company submitted the filing application with the CSRC as required on 5 May 2023. The CSRC published the notification on our completion of the required filing procedures on 21 December 2023. See "Regulatory overview — Overseas listing", "Risk factors — Risks relating to doing business in the PRC — The approval, filing or other administration requirements of CSRC, the CAC, or other PRC governmental authorities may be required and/or supplemented in connection with the Global Offering and future securities under PRC laws, regulations or policies" and "History and development — PRC regulatory requirements — Overseas listing" in this prospectus.

Regulatory update — Cybersecurity

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the New CAC Measures, which came into effect on 15 February 2022. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of our Company, with China Cybersecurity Review Technology and Certification Center ("**CCRC**"), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that listing in Hong Kong will not be deemed as listing abroad under the New CAC Measures. Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the definition of "abroad" in the provision; (ii) our Group had not been notified by any authorities of being classified as a critical information infrastructure operator, and according to relevant rules, the relevant authorities must notify operators if they are categorised as critical information infrastructure operators; (iii) our possession of personal information of the main contact persons of our customers is far less than 1 million as our business mainly involved provision of mobile advertising services for enterprise advertisers instead of end consumers and our Group does not possess any mobile users' personal information; and (iv) our Group had not been involved in any activities that might give rise to national security risks based on the factors set out in the New CAC Measures during the Track Record Period and up to the Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures. For details of the rules in relation to the identification of critical information infrastructure operators, see "Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection", "Risk factors — Risks relating to our business and industry — Our business is subject to complex and evolving laws and regulations, which may be relatively new" and "Business — Cybersecurity" in this prospectus.

Business update

In March 2023, our Group became a direct distributor of a new media publisher which is a member of a Chinese language internet search provider based in the PRC. Such media publisher operates a popular search-plus-feed app in the PRC with MAUs of 648 million in December 2022. As the direct distributor of such media publisher, we can place mobile ads on such search-plus-feed app which enables users to find information online, including webpages, news, images, documents and multimedia files, through links provided on its website. Having considered the popularity and MAUs of such media platform, we believe that our mobile ads can reach a larger group of mobile user and better satisfy the needs of our customers.

In May 2023, our Group ceased to be a direct distributor of Supplier A due to the change of eligibility criteria of distributors on part of Supplier A to meet its new business needs. As a distributor of Supplier A, we could place mobile ads on the app store operated by Supplier A. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, Supplier A accounted for approximately 31.3%, 26.5%, 11.9% and 0.1% of our cost of services, respectively. Having considered that (i) there is a change of browsing habits of mobile users due to the general increasing adoption of 5G mobile technologies and our enhanced video production capacities and, thus, our customers tend to place mobile ads in video format in place of mobile ads in still image and text format on app stores and our revenue generated from mobile ads placed on app stores accounted for approximately 29.4%, 22.8%, 9.6% and 1.1% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively, (ii) we are the direct distributor of Alibaba Group which also operates app stores to meet our customers' demands for placement of mobile ads, (iii) we can place mobile ads on the app store operated by Supplier A through other media agents if there are needs for placement of mobile ads on the app store operated by Supplier A, and (iv) the expansion of our network to distribute mobile ads on the popular search-plus-feed app of the new media publisher in March 2023, our Directors are of the view, and the Sole Sponsor concurs, that the cessation of our business relationship with Supplier A would not have material impact on our business performance and financial position.

No material adverse change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 September 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 30 September 2023 which would materially affect the information shown in our consolidated financial statements set out in the Accountants' Report in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council of Hong Kong (formerly known as Financial Reporting Council of Hong Kong)
"Alibaba Group"	a group of companies, which consist of (i) Guangzhou Juhe Information Technology Co. Ltd* (廣州聚禾信息科技有限公司), a company established in the PRC with limited liability on 19 January 2017; and (ii) Guangzhou Juyao Information Technology Co. Ltd* (廣州聚耀信息科技有限公司), a company established in the PRC with limited liability on 31 December 2015, which are one of our 5 largest suppliers in each year/period during the Track Record Period, and are subsidiaries of Alibaba Group Holding Limited, the shares of which are listed on the Main Board in 2019
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on 21 February 2024 and effective from the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Lesimedia"	Beijing Lesimedia Technology Co., Ltd.* (北京樂思創信科技有限公司), a company established in the PRC with limited liability on 9 January 2009, and an indirect non-wholly owned subsidiary of our Company
"Beijing Leyugou"	Beijing Leyugou Lechuang Technology Co., Ltd.* (北京樂娛購樂創科技有限公司), a company established in the PRC with limited liability on 14 February 2022, and was owned as to 20% by our Group and 80% by Leyugou Funeng until it was deregistered on 2 March 2023
"Beijing Lexiao"	Beijing Lexiao Information Technology Co., Ltd.* (北京樂效信息科技有限公司) (formerly known as Tianjin Lexiao Information Technology Co., Ltd.* (天津樂效信息科技有限公司), a company established in the PRC with limited liability on 26 June 2018 and an indirect non-wholly owned subsidiary of our Company

"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAC"	the Cyberspace Administration of China
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in "A. Further information about our Company — 3. Resolutions in writing of the Shareholders" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan regions
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	Lesi Group Limited (樂思集團有限公司) (formerly known as Lesi Technology Holdings Limited (樂思科技控股有限公司) and Evercreate Technology Limited), an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling Shareholders, namely (i) Ka Lok BVI, (ii) Quartet Yutong BVI, (iii) Mr. Zhao, (iv) Remit Sheng BVI, (v) Mr. Yu, (vi) Jing Sing BVI, (vii) Ms. Shu, (viii) Jiang Oofy BVI and (ix) Mr. Nie
"COVID-19"	a respiratory illness that was first reported in December 2019 and officially named by the World Health Organisation as COVID-19
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated 21 February 2024 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) in respect of, among other things, certain indemnities, further information of which is set out in "D. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	a deed of non-competition dated 21 February 2024 entered into by our Controlling Shareholders, in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding the non–competition undertaking, further information of which is set out in "Relationship with Controlling Shareholders — Deed of Non-competition" in this prospectus
"Director(s)"	the directors of our Company
"EIT"	the enterprise income tax of the PRC
"EIT Law"	the PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) adopted by the National People's Congress of the PRC on 16 March 2007 and become effective on 1 January 2008 and newly amended on 29 December 2018
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"GDP"	gross domestic product

"General Rules of HKSCC"	the terms and conditions regulating the use of HKSCC's services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Glitter Investments HK"	Glitter Investments Limited, a company incorporated in Hong Kong with limited liability on 11 February 2019, an indirect wholly-owned subsidiary of our Company
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we" or "us"	our Company and our subsidiaries, at the relevant time, or where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HK LesiTech"	Hong Kong LesiTech Co., Limited, a company incorporated in Hong Kong with limited liability on 14 May 2018, and an indirect non-wholly owned subsidiary of our Company
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI System to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operation and functions of the Systems, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

"Hong Kong" or "HK" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Offer Share(s)"	the 12,500,000 new Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the Hong Kong Public Offering, as described in "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions as further described in "Structure of the Global Offering" of this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated 28 February 2024 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" of this prospectus
"Hunan Lesimedia"	Hunan Lesimedia Technology Co., Ltd.* (湖南樂思創信科技有限公司), a company established in the PRC with limited liability on 9 November 2021, and an indirect non-wholly owned subsidiary of our Company
"Hunan Lexiaoyun"	Hunan Lexiaoyun Information Technology Co., Ltd.* (湖南樂效雲信息科技有限公司), a company established in the PRC with limited liability on 11 March 2022, and an indirect non-wholly owned subsidiary of our Company
"IFRS"	the IFRS Accounting Standards issued by International Accounting Standards Board ("**IASB**")

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) our Group, any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"International Offer Shares"	the 112,500,000 new Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the International Offering together with (when relevant) any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, as described in "Structure of the Global Offering" of this prospectus
"International Offering"	the conditional placing of the International Offer Shares outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S for cash, as further described in "Structure of the Global Offering" of this prospectus
"International Underwriters"	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the conditional international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator and the International Underwriters, as further described in "Underwriting" of this prospectus
"iResearch"	Shanghai iResearch Co., Ltd., a market research and consulting company, which is an Independent Third Party
"iResearch Report"	an independent market research report, commissioned by our Company on the mobile advertising industry in the PRC and prepared by iResearch
"Jiang Oofy BVI"	Jiang Oofy Holdings Limited, a company incorporated in BVI with limited liability on 27 July 2020, which is solely owned by Mr. Nie and is one of our Controlling Shareholders

"Jiangsu Wansheng"	Jiangsu Wansheng Weiye Network Technology Co., Ltd.* (江蘇萬聖偉業網絡科技有限公司), a company established in the PRC with limited liability on 15 June 2011 and a wholly-owned subsidiary of Leo Group Co., Ltd.* (利歐集團股份有限公司), shares of which are listed on the Shenzhen Stock Exchange (stock code: 002131), an Independent Third Party
"Jing Sing BVI"	Jing Sing Holdings Limited, a company incorporated in BVI with limited liability on 21 May 2020, which is solely owned by Ms. Shu and is one of our Controlling Shareholders
"Joint Bookrunners"	the joint bookrunners as named in section headed "Directors and parties involved in the Global Offering" in this prospectus
"Joint Lead Managers"	the joint lead managers as named in section headed "Directors and parties involved in the Global Offering" in this prospectus
"Joint Overall Coordinators"	the Joint Overall Coordinators as named in the section headed "Directors and parties involved in the Global Offering" in this prospectus
"Ka Lok BVI"	Ka Lok Holdings Limited, a company incorporated in BVI with limited liability on 16 January 2019, which is owned by (i) Quartet Yutong BVI as to 57.77%, (ii) Remit Sheng BVI as to 35.55%, (iii) Jing Sing BVI as to 6.67% and (iv) Jiang Oofy BVI as to 0.01%, and is one of our Controlling Shareholders
"Khorgos Lechuang"	Khorgos Lechuang Information Technology Co., Ltd.* (霍爾果斯樂創信息科技有限公司), a company established in the PRC with limited liability on 9 January 2017, and an indirect non-wholly owned subsidiary of our Company
"Khorgos Lemon"	Khorgos Lemon Technology Co., Ltd.* (霍爾果斯檸檬科技有限公司), a company established in the PRC with limited liability on 23 July 2020, and an indirect non-wholly owned subsidiary of our Company
"Latest Practicable Date"	20 February 2024, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Leyugou Funeng"	Leyuguo Funeng (Ningbo) Technology Co., Ltd* (樂娛購賦能(寧波)科技有限公司), a company established in the PRC with limited liability on 4 November 2019 and is wholly-owned by Leyugou (Ningbo) Technology Co., Ltd* (樂娛購(寧波)科技有限公司), which is in turn wholly-owned by Gome Holdings Group Ltd.* (國美控股集團有限公司), an Independent Third Party

"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, 8 March 2024, on which our Shares are first listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or modified from time to time
"M&A Rules"	Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》), which was jointly issued by 6 PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, SAT, SAMR, CSRC and SAFE on 8 August 2006 and became effective on the same day and was amended by the MOFCOM on 22 June 2009
"Ma Family Trust"	The Ma LM Family Trust, the discretionary trust established by Mr. Ma (as the settler) and Trident Trust (as the trustee) on 3 December 2020 for the benefits of the children and remoter issue of Mr. Ma
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the second amended and restated memorandum of association of our Company adopted on 17 October 2022, with effect from 18 October 2022, as amended from time to time
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Ma"	Mr. Ma Liangming (馬良銘), the settlor and protector of the Ma Family Trust, a director of the Pre-IPO Investor and an Independent Third Party
"Mr. Nie"	Mr. Nie Jiang (聶江), an executive Director, our chief operating officer, our joint company secretary and one of our Controlling Shareholders

"Mr. Yu"	Mr. Yu Canliang (余燦良), an executive Director, our chief executive officer, one of our Controlling Shareholders and the spouse of Ms. Shu
"Mr. Zhao"	Mr. Zhao Libing (趙利兵), an executive Director, our chairman of the Board and one of our Controlling Shareholders
"Ms. Chang"	Ms. Chang Qing (常青), a non-executive Director
"Ms. Shu"	Ms. Shu Qing (舒清), an executive Director, our chief financial officer, one of our Controlling Shareholders and the spouse of Mr. Yu
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Atmedia BVI"	New Atmedia Investments Limited, a company incorporated in the BVI with limited liability on 28 January 2019 and a direct wholly-owned subsidiary of our Company
"New CAC Measures"	Cybersecurity Review Measures (《網絡安全審查辦法》) which came into effect on 15 February 2022
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$1.50 and is expected to be not less than HK$1.10, to be determined by agreement between our Company and the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) pursuant to the Price Determination Agreement on or around the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which maybe issued by our Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters under the International Underwriting Agreement pursuant to which our Company may be required by the Joint Overall Coordinators (on behalf of the International Underwriters), to allot and issue up to 18,750,000 additional new Shares, representing 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"Over-allotment Shares"	up to 18,750,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"Overseas Listing Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) released by the CSRC on 17 February 2023 and took effect on 31 March 2023
"Personal Information Protection Law"	the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), as enacted by the SCNPC on 20 August 2021 and has come into effect on 1 November 2021, as amended, supplemented or otherwise modified from time to time
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the 8th National People's Congress on 29 December 1993, and subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 and 26 October 2018, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Adviser"	Jingtian & Gongcheng, our legal advisers as to the PRC laws
"Pre-IPO Investment"	the pre-IPO investment in our Group pursuant to the Pre-IPO Investment Agreement and as described in "History and development — Pre-IPO Investment" in this prospectus

"Pre-IPO Investment Agreement"	the share subscription and acquisition agreement dated 10 April 2022 (as amended by a supplemental agreement dated 22 January 2024) entered into by our Company, Glitter Investments HK, Beijing Lesimedia, Mr. Zhao, Mr. Yu, Ms. Shu, Mr. Nie and the Pre-IPO Investor, pursuant to which (i) the Pre-IPO Investor agreed to acquire, and Mr. Zhao, Mr. Yu, Ms. Shu and Mr. Nie agreed to procure the sale of, 5% equity interest in Beijing Lesimedia held by Shanghai Lingxiang, at a consideration of RMB11,010,000 and (ii) the Pre-IPO Investor agreed to sell, and Glitter Investments HK agreed to acquire, 5% equity interest in Beijing Lesimedia from the Pre-IPO Investor at a consideration of RMB11,010,000, further details of which are set out in "History and development — Pre-IPO Investment" in this prospectus
"Pre-IPO Investor"	Ma LM Assets Management Pte. Ltd., a company incorporated in Singapore with limited liability on 7 December 2020, which is beneficially owned by Trident Trust (as trustee for the Ma Family Trust)
"Price Determination Agreement"	an agreement between our Company and the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) to fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, 6 March 2024 (Hong Kong time), when the Offer Price is determined
"Quartet Yutong BVI"	Quartet Yutong Holdings Limited, a company incorporated in BVI with limited liability on 22 May 2020, which is solely owned by Mr. Zhao and is one of our Controlling Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Remit Sheng BVI"	Remit Sheng Holdings Limited, a company incorporated in BVI with limited liability on 20 May 2020, which is solely owned by Mr. Yu and is one of our Controlling Shareholders
"Reorganisation"	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in "History and development — Reorganisation" in this prospectus
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局) (formerly known as the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局))
"SAT"	the State Administration of Taxation of the PRC (中國國家稅務總局)
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or modified from time to time
"Shanghai Lingxiang"	Shanghai Lingxiang Enterprise Management Partnership (Limited Partnership)* (上海靈象企業管理合夥企業(有限合夥)) (formerly known as Nanping Tianxiang Enterprise Management Partnership (Limited Partnership)* (南平天象企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 26 June 2019, which is owned by (i) Mr. Zhao as to approximately 57.68%, (ii) Mr. Yu as to approximately 35.54%, (iii) Ms. Shu as to approximately 6.67%, (iv) Xiamen Haitan as to 0.1% (and as the general partner) and (v) Mr. Nie as to 0.01%
"Shanghai Zhuixia"	Shanghai Zhuixia Information Technology Co., Ltd.* (上海綴夏信息技術有限公司), a company established in the PRC with limited liability on 12 August 2020 and ceased to be our subsidiary upon completion of deregistration on 29 June 2022
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, further details of which are described under "D. Other information — 1. Share Option Scheme" in Appendix IV to this prospectus
"Share(s)"	ordinary share(s) of US$0.001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)

"Sole Global Coordinator"	the sole global coordinator as named in section headed "Directors and parties involved in the Global Offering" in this prospectus
"Sole Sponsor"	China Sunrise Capital Limited, a corporation licenced under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO
"Stabilisation Manager"	China Sunrise Securities (International) Limited, the Joint Overall Coordinator and the Sole Global Coordinator
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Ka Lok BVI and the Stabilisation Manager (or its agents) on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"System(s)"	CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023
"Trident Trust"	Trident Trust Company (Singapore) Pte. Limited, a company incorporated in Singapore with limited liability and an Independent Third Party, and the trustee to the Ma Family Trust
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States

"U.S. Person"	has the meaning given to it in Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time
"VAT"	value-added tax
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Xiamen Haitan"	Xiamen Haitan Equity Investment Co., Ltd* (廈門海郯股權投資有限公司) (formerly known as Nanping Yanping Haishi Enterprise Management Co., Ltd.* (南平延平海石企業管理有限公司)), a company established in the PRC with limited liability on 24 June 2019, which is owned by Mr. Zhao as to 90% and Mr. Yu as to 10%
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.9222 = HK$1.00 or HK$7.85 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of laws and regulations, governmental authorities, institutions, natural persons or other entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme.

This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"5G"	the fifth generation of cellular networks
"ad campaign(s)"	advertising campaign(s) for advertiser
"ad creatives"	the specific rendering of the ad contents
"ad distribution", "ad placement" or "ad placing"	distribution or publication of mobile ad on media platform
"ad inventory(ies)"	traffic available on online media for advertising, being the available advertising space on media platforms that advertisers can buy from media publishers. Such term is often used in the context of advertising placement
"ad optimisation"	work performed by advertising service providers, including adjusting advertising criteria, to optimise the ad performance on a real-time and continuing basis after publication of mobile ad on media platform
"ad performance"	advertising performance, being the outcome of the mobile ad, such as downloads, installs, clicks or conversion rate
"advertiser(s)"	any person(s), company(ies), organisation(s) which advertise their brands, products and services through placing mobile ads, and as the original initiators of the whole value chain for mobile advertising
"advertising agent(s)"	advertising company(ies) which provide advertising services to advertiser and/or other advertising companies
"advertising space"	the space on media platforms available for mobile ads, the price of which varies due to the specific location
"app"	a computer programme designed to run on a mobile device
"CAGR"	compound annual growth rate
"click-through(s)"	the number of clicks on the mobile ad, representing the action that device users click on the mobile ad during certain period of time
"click-through rate"	the ratio of the number of clicks on the mobile ad to the number of total impression of the mobile ad

"conversion rate"	the ratio of users who take an action desired by the advertisers such as signing up a new account or making a purchase, to the total number of users who viewed or clicked the mobile ad
"CPA"	cost per action, a pricing model where advertising is paid on the basis of each action of the mobile device user such as download, installation or registration
"CPC"	cost per click, a pricing model where advertisers are charged on the basis of each click of the mobile ad
"CPD"	cost per download, a pricing mechanism where advertisers are charged on the basis of each download
"CPM"	cost per mille, a pricing model where advertisers are charged on the basis of thousand impressions
"CPT"	cost per time, a pricing mechanism whereby advertisers are charged according to the duration of placement of the mobile ad
"CRM"	customer relationship management, which is a business process management system in which a business administers its interactions with customers, typically using data analysis throughout the customer lifecycle to study large amount of information, with an aim to improve customer service relationships, assist in customer retention and drive sales growth
"distributor(s)" or "media agent(s)"	distributor(s) or advertising agent(s) of a media publisher, which can acquire advertising space directly from media publishers and is/are able to place mobile ads on behalf of advertiser on the media platforms operated by such media publishers, and act as the bridge linking advertiser and media platform
"DSP"	demand-side platform, which is a system positioning the medium and long tail traffic channels and accurately matching needs with diversified billing models and intelligent auditing technology for purchasing various forms of advertising materials in an automated way
"ERP"	enterprise resource planning, which is a business process management system that allows an organisation to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources
"impression"	the number of mobile ad views, representing the total number of times a mobile ad is viewed by a mobile user or displayed on a web page during certain period of time

"in-feed advertising"	a method of native advertising which seamlessly integrates in the content of the feeds of an app or website, or consistent with the components of the app or web interface
"KPI"	key performance indicator, which means, in the context of mobile advertising, the indicator reflecting the effectiveness and performance of the ad campaign or the mobile ad such as the number of new installations, sign-ups or sales
"MAU(s)"	monthly active user(s)
"media publisher(s)" or "operator(s) of media platform"	operator(s) of media platforms that need to monetise their user traffic through offering advertising space on their media platforms
"media platform(s)", "online platform(s)" or "online media platform(s)"	any medium whereby content (including, but not limited to images, videos, text messages and sound files) is broadcast to, or capable of being broadcasted to, the general public and accessed across the mobile internet
"project enhancer(s) (優化師)"	designated personnel(s) supervising the effectiveness and performance of the ad placements through various indicators for ad optimisation, and whom should then advise on modification to the ad placements
"ROI"	return on investment
"SaaS"	software as a service
"SSP"	supply-side platform, which is a system to supply inventories for potential customers to place mobile ads via automated auctions
"still image format"	format of mobile ads that are presented in static image only, usually containing words and graphics
"traffic" or "user traffic"	in terms of user traffic in mobile advertising, the flow of audience of mobile ads on mobile media platforms. It is used to measure the development situation of certain platforms' user ecology and it is usually defined as the scale of visitors traffic
"video format"	format of mobile ads that are presented in a form of short video. Mobile ads in video format may contain advertising contents that are in still image

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in ''Summary'', ''Risk factors'', ''Industry overview'', ''Business'', ''Financial information'' and ''Future plans and use of proceeds'' in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under ''Risk factors'' in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend; and
- our profit estimate and other prospective financial information.

The words ''aim'', ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''forecast'', ''going forward'', ''intend'', ''may'', ''might'', ''ought to'', ''plan'', ''project'', ''seek'', ''should'', ''will'', ''would'', ''wish'' and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of any government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in ''Risk factors'' in this prospectus.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

You should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could fall due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering. You should consider carefully our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on our 5 largest suppliers in each year/period during the Track Record Period, particularly Alibaba Group, Supplier A and Supplier C, to acquire advertising space for placement of mobile ads

Our 5 largest suppliers in each year/period during the Track Record Period aggregately accounted for approximately 92.5%, 93.9%, 70.5% and 88.8% of our total cost of services, respectively. 3 out of our 5 largest suppliers in each year/period during the Track Record Period, namely Alibaba Group, Supplier A and Supplier C, aggregately accounted for approximately 87.0%, 74.3%, 41.2% and 65.7% of our total cost of services for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. Alibaba Group, Supplier A and Supplier C are our media publishers and are prominent market players which operate leading media platforms. We rely on our 5 largest suppliers in each year/period during the Track Record Period, particularly Alibaba Group, Supplier A and Supplier C, for acquisition of advertising space for placement of mobile ads on the media platforms for our customers. We ceased to be a direct distributor of Supplier A in May 2023 due to the change of eligibility criteria of distributors of Supplier A. For details, see "Business — Suppliers — Suppliers concentration" and "Business — Suppliers — Cessation of our business relationship with Supplier A" in this prospectus.

According to the iResearch Report, media resources are essential to mobile advertising service providers since (i) the top media platforms have larger user base, maturer advertising ecology and higher internet exposure; and (ii) the establishment of long-term and stable partnerships with the media publishers helps mobile advertising service providers to keep abreast of market trends, attract advertisers and achieve marketing goals. Alibaba Group, Supplier A and Supplier C and their media platforms have leading positions in their industries and are popular among mobile users. In the event that we fail to maintain our business relationship with any of our 5 largest suppliers in each year/period during the Track Record Period, in particular Alibaba Group, Supplier A and Supplier C, on comparable contract terms or at all, we will have to source other new media partners for acquisition of advertising space, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, customers may have strong advertising demands on media platforms of particular media partner. For the nine months ended 30 September 2023, our Group provided mobile advertising solutions services to Customer M and produced mobile ads in short video format for publication on media platforms operated by Supplier C. We may concentrate our purchase of advertising space from particular media partners and it would expose to risks associated with our reliance on particular media partners. Any change of our business relationship or terms of transactions with them, our business and results of operations could be materially and adversely affected.

Further, in the event that any of our 5 largest suppliers in each year/period during the Track Record Period lose their leading market position, or become less attractive to mobile users, it may lead to a significant decrease in its user base and, in turn, affect the reach and popularity of the mobile ads placed on such media platforms, thereby affecting the demand and attractiveness of our mobile advertising services to our customers. Our customers may request us to seek new media publishers or engage other media agents, which may require additional time and costs. As a result, we may fail to retain existing customers or attract new ones and our business and results of operations could be materially and adversely affected.

Additionally, any negative publicity associated with or penalties imposed on any of our 5 largest suppliers in each year/period during the Track Record Period or the media platforms which they operate, or any negative development with respect to any of these suppliers' market position, financial condition, maintenance of their platform infrastructure may materially and adversely affect the effectiveness of our ad campaigns that would cause an impact on our reputation, business and results of operations.

We may fail to retain, deepen or expand our relationship with the existing or new media partners which are crucial to our business operation and future development

Most of our transactions involve our purchase of advertising space from our media partners for placement of mobile ads of our customers. We acquire advertising space directly from our media publishers or indirectly from our media agents for placement of mobile ads on media platforms designated by us. We rely on our media partners to publish our mobile ads so that we can advertise our customers' brands, products and/or services on media platforms and maximise their exposure to target mobile users to achieve the marketing goals of our customers. Sound and sustainable relationship with our media partners are crucial to our business operation and future development. In order to retain our existing media partners and attract new media partners, we need to continue to improve the monetisation efficiency for our media publishers. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 30 September 2023, we are a distributor of 6 media publishers and we can distribute mobile ads on more than 30 media platforms operated by them. According to the iResearch Report, the operation of media platforms in the mobile advertising industry is highly concentrated with a few market players as media publishers and, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022. Given that the operation of media platforms in the mobile advertising industry in the PRC is highly concentrated and these media platforms have large user base, our bargaining power with our media publishers would be limited. If any of our media partners, particularly our media publishers, cease their relationship with us, the amount of advertising space we have access to may decrease and we may not be able to provide the same volume of mobile advertising services to our customers.

Moreover, the criteria of being distributors of different media partners for distribution of mobile ads may vary from time to time as the business plans and strategies of these media partners may change. We used to be a direct distributor of Supplier A and could place mobile ads on the app store operated by Supplier A. However, in May 2023, our Group ceased to be a direct distributor of Supplier A due to the change of eligibility criteria of distributors on part of Supplier A. If there is any customer need to place mobile ads on such app store operated by Supplier A, we would need to engage other media agents for distribution of mobile ads. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, Supplier A accounted for approximately 31.3%, 26.5%, 11.9% and 0.1% of our cost of services, respectively. See "Business — Suppliers — Cessation of our business relationship with Supplier A" in this prospectus.

In general, the media publishers would, prior to the first engagement and in annual reviews, consider and assess the performance of their distributors. Media partners would generally consider the eligibility of distributors by taking into account factors including (i) historical advertising transaction amounts; (ii) customer base and quality; (iii) source of customers; (iv) manpower, in particular the number of sales personnel and project enhancers; (v) financial credibility; and/or (vi) market reputations. For details, see "Business — Our media partners" in this prospectus. There is no guarantee that future assessment results will be in our favour. Our media partners may reassess their business relationships with us if we do not reach their expected performance. If any of our media partners reduce or discontinue their business relationships with us, we would lose the direct access to acquire advertising space from media publishers and thereby lose a portion or all of the advertising space through which we deliver our services to our customers. In such event, we may not be able to provide services to our customers in a timely manner or at all. We may also incur additional costs in establishing business relationships with new media publishers or media agents for advertising space, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, we also rely on our media partners to collect performance data of mobile ads for review and analysis. As a distributor of media publisher, we can collect and analyse those first-hand statistics and get a better understanding of mobile users' behaviours. If we lose access or fail to collect ad performance data and mobile users' related statistics from our media partners, our ability to optimise ad performance in a cost-effective way would be harmed, which in turn could materially and adversely affect our reputation, business and results of operations.

The return from our advertisement distribution services may diminish

We offer advertisement distribution services, which include acquisition of advertising space and ad distribution. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our revenue generated from provision of advertisement distribution services amounted to approximately RMB34.2 million, RMB36.9 million, RMB38.4 million and RMB20.0 million, respectively, and accounted for approximately 9.1%, 7.9%, 7.8% and 4.0% of our total revenue, respectively. The gross billing margin under advertisement distribution services, calculated as gross billing net cost of services divided by gross billing, was approximately 12.0%, 10.3%, 10.2% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. We act as an agent in our provision of advertisement distribution services. We purchase advertising space from our media partners for our customers. It involves the practice of arbitrage where we purchase advertising space and sell them to customers. Our media partners provide us with rebates, which are recognised as our revenue for our advertisement distribution services. The rates of rebates are set by our media partners annually depending on the actual advertising spending on the acquisition of advertising space on media platforms and/or degree of fulfilment of certain KPIs set by the media partners, the sales and marketing strategies of media partners. Also, most of our media publishers are prominent technology and internet companies in the PRC. Our bargaining power with our media publishers is therefore limited.

Moreover, the competition of the mobile advertising industry is keen. The customers for our advertisement distribution services include fast-growing technology companies and leading content app developers in the PRC. Our bargaining power with these customers is limited. To incentivise customers for our advertisement distribution services, we may pass on a portion of our rebates to them. Our ability to offer rebates to customers for our advertisement distribution services would affect our competitiveness in the market and our ability to retain our customers or attract new customers resulting that our business, results of operations and financial condition may be materially and adversely affected. And, our offer of more rebates to customers may have adverse effect on our profitability, results of operations and financial condition.

Any decrease in the rebates offered by our media partners may have adverse effect on our business and results of our operations

There are rebates from media partners, which are determined based on various criteria, such as gross spending of our customers. We may receive rebates from media partners, which are determined on discretionary basis based on commercial considerations of our media partners, as incentives. Such rebates as a percentage of our gross spending may fluctuate or decrease and are reviewed and adjusted from time to time by our media partners. Rebates from media partners are as part of their business strategies and the amounts of rebates are subject to their rebate policies, business plans and needs. Moreover, the advertising needs of our customers on placement of mobile ads on media platforms of our media partners may vary from time to time. To meet advertising needs of products of our customers, we may concentrate our placement of mobile ads on particular media partners and reduce our purchase from other media partners, which may offer more favourable rebate policies to us. It may affect the amount of our rebates from media partners and the results of our operation. For the year ended 31 December 2022, there was a decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms. For the nine months ended 30 September 2023, there was a decrease in rebates from Supplier H, Supplier I and Supplier J due to the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the aggregate amount of rebates from our media partners was approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, representing approximately 16.9%, 19.3%, 13.9%, 8.5% and 16.6% of total traffic acquisition costs (in gross amount), respectively. During the Track Record Period, the rebates were settled either (i) by deduction of our account payables to our media partners and as our prepayments or (ii) by cash. For our mobile advertising solutions services, the rebates are recorded as reduction of our cost of services. For our advertisement distribution services, the rebates are recorded as an increase of revenue. Moreover, the mobile advertising market in the PRC is competitive. Any decrease in the amount of rebates from media partners may affect our revenue from our advertisement distribution services and may affect the gross profit of our mobile advertising solutions services and results of our performance. If our media partners change the typical fee structure which has been used for the past few years, cease to offer rebates to us or offer reduced rebates as a percentage of our gross spending, our business, results of operations, financial condition, liquidity and prospect may be materially and adversely affected. Given that the operation of media platforms in the mobile advertising industry in the PRC is highly concentrated and these media platforms have large user base, our bargaining power with our media publishers would be limited. We cannot guarantee that our media publishers would offer favourable rebate policies to us. Furthermore, we and/or the media partners may also incentivise our customers by passing on a portion of the rebates from media partners to our customers. Any decrease in the amount of rebates from media partners may affect the amount of rebates to our customers. It may in turn affect our competitive position in the mobile advertising industry and our ability to retain our customers or attract new customers resulting that our business, results of operations and financial condition may be materially and adversely affected.

If our media partners transact with advertisers directly, we may be exposed to the risk of disintermediation

As a mobile advertising service provider, we help our customers acquire advertising space from our media partners to market their products or services. We mainly provide mobile advertising services to customers to achieve better marketing effectiveness; while our media partners tend to monetise their advertising space without providing mobile advertising solutions services. According to the iResearch Report, mobile advertising service providers are the bridge linking advertisers and media platforms. In many cases, advertisers tend to transact with media platforms via mobile advertising service providers instead of direct engagement with media publishers, not only because direct transaction or engagement may not be acceptable for some media publishers, but also because mobile advertising service providers have established close relationship with top media partners and have accumulated industry experience which can help advertisers optimise advertising strategies and improve marketing efficiency. In addition to advertisement distribution services, these mobile advertising service providers usually also provide creative design, advertising strategies development, data analysis and other services. However, we cannot completely resolve the risk that our media partners would directly transact with advertisers circumventing mobile advertising service providers like us. Moreover, media publishers could develop media advertising tools for advertisers to self-create ad contents, including short video contents, for placement of mobile ads on their media platforms. Thus, advertisers could place mobile ads directly with media publishers and would cease to transact with us. Further, in circumstances where media publishers acquire our customers or the media publishers established their own content creation function in future similar to those currently offered by us, our customers may also transact with the media partners directly and cease to transact with us. Occurrence of such events may expose us to the risk of disintermediation, and our business, results of operations and financial position would be materially and adversely affected.

Our ability to provide effective proposal on bidding price for advertising space may affect the results of ad placements and the effectiveness of our customers' mobile ads

We acquire most of our advertising space through bidding on advertising placement systems of media platforms. We would propose and discuss a price range for bidding with customers based on our experience and with reference to, among others, types of media platforms, types of mobile ads and publication time of mobile ads. After confirmation of price range for bidding of advertising space, we would create hashtags, titles, topics and key search wordings, etc., according to various criteria of the target mobile users, such as age group and/or gender, etc. in order to boost the click-through rates of the mobile ads, thereby increasing the marketing effectiveness of the mobile ads. See "Business — Our mobile advertising services — Business process of our services — Mobile advertising solutions services" and "Business — Advertising space bidding process" in this prospectus. Our ability to provide effective proposal on bidding price for advertising space may affect the results of ad placements and the effectiveness of our customers' mobile ads. Also, we may not be able to create suitable hashtags, titles, topics and key search wordings for our customers' mobile ads to boost the click-through rates of mobile ads and increase the marketing effectiveness of mobile ads.

Moreover, media publishers would calculate the value of each bid offer on a real-time basis according to the bid value and the popularity of the mobile ads, and then allocate the advertising space with the desired volume of impressions based on their own proprietary methodology of their media platforms. If we are unable to create ad contents that are creative and attractive, the popularity of mobile ads would be affected and less advertising space would be allocated to our mobile ads which in turn affect the marketing effectiveness of our customers' mobile ads. If we cannot provide effective proposals on bidding of advertising space or produce ad contents that are creative and attractive to maximise the exposure of mobile ads of our customers to achieve their marketing goals, we may not be able to retain our customers and attract new customers resulting that our business, results of operations and financial condition may be materially and adversely affected.

We generated more than half of our revenue from our 5 largest customers in each year/period for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2023

For the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2023, our 5 largest customers in each year/period accounted for approximately 75.4%, 67.3% and 68.7% of our total revenue, respectively. In particular, Customer A, Customer B, Customer D and Customer H had stayed as our 5 largest customers for 2 years or more during the Track Record Period. For details, see "Business — Customers — Customers concentration" in this prospectus.

Since we generally enter into 1-year contracts with our major customers and such contracts can be terminated by either party in prior written notice with a period of 5 to 30 days, we cannot assure you that they will continue to conduct business with us at the same or better terms at the same levels or at all. During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software companies and leading content app developers in the PRC. We are one of the service providers in the mobile advertising industry in the PRC with a market share of approximately 0.1% in terms of gross billing in 2022 and the mobile advertising industry in the PRC is competitive. Our bargaining power with our customers would be limited. We cannot assure you that our major customers are able to settle the payment of the orders they place in accordance with the agreed credit term or at all. For details, see "Business — Customers" in this prospectus. We cannot assure you that we will be able to reduce our reliance on a small number of major customers in the near term. In the event that any of our major customers ceases to engage us for our mobile advertising services, or reduce business with us, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business, results of operations and financial condition may be materially and adversely affected.

The competition of the mobile advertising industry is fragmented and competitive

According to the iResearch Report, the competition in the mobile advertising industry is fragmented and competitive. We expect new competitors to enter the market and existing competitors to allocate additional resources to the market. We also expect competitions in the mobile advertising industry to remain competitive. Our competitors primarily include other mobile advertising service providers. Our ability to compete successfully depends on many factors, including price, choice of media platforms, availability of quality advertising space, the effectiveness of technologies, the quality of customer services and our ability to increase the ROI of our customers. If any of these factors are unfavourable to us or if we cannot meet the advertisers' marketing or performance targets or our pricing is not as competitive as our competitors, we may not be able to compete effectively or maintain our market position. Under intense competition, the financial performance of our business may diminish. The gross billing margin under our advertisement distribution services, calculated as gross billing less traffic acquisition costs from media partners divided by gross billing, was approximately 12.0%, 10.3%, 10.2%, 9.9% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively. See "Financial information — Key components of our results of operations — Revenue" in this prospectus.

Certain of our existing and future competitors may have longer operating histories, broader reach of customers and media partners and significantly greater financial, technical and marketing resources than we do. These competitors may engage in more extensive research and development and sales and marketing efforts than us and develop or promote services that are similar to or better than ours. Any increase in competition is likely to result in reduced price and margin, any of which could cause us to lose customers or media partners. Occurrence of any of the above events may materially and adversely affect our business, results of operations and financial condition.

We may face certain risks in adaptation to technological developments in the mobile advertising industry

The mobile advertising industry and the internet industry in general, are subject to constant changes and technological developments, including rapid technological evolution, continual shifts in customer demands and constant emergence of new market trends. Thus, our growth will depend, in part, on our ability to respond to these changes and technological developments in a cost-effective and timely manner. If we fail to meet evolving customer needs or to introduce market-accepted services for our existing and potential customers, we could lose our customers and our competitive position. We rely on technology and infrastructure to deliver our mobile advertising solutions services. We need to anticipate the emergence of new technological developments and assess their market acceptance. New developments in big data analytics, artificial intelligence and programmatic advertising could render our existing technologies, our platform or our solutions obsolete or unattractive. There can be no assurances that we will be able to keep up with such new technological developments in an efficient and cost-effective manner, which may have a material and adverse effect on our business, results of operations and financial condition.

We may face certain risks in collecting our trade receivables, and any failure to collect receivables from our customers could have a material adverse effect on our business, financial condition and results of operations

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our trade receivables were approximately RMB176.1 million, RMB183.0 million, RMB157.8 million and RMB168.4 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our average trade receivable turnover days were approximately 71 days, 83 days, 75 days and 59 days, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our impairment losses on trade receivables amounted to approximately RMB1.3 million, RMB5.6 million, RMB1.9 million and RMB3.3 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we recorded nil, RMB2.5 million, RMB3.9 million and nil of trade receivables written off, representing approximately nil, 1.4%, 2.5% and nil of the outstanding trade receivables as at the end of the respective periods.

We generally offer customers for our mobile advertising solutions services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. Prior to issuance of invoices to our customers, particularly our major customers, we generally confirm the used ad inventory volume with them. During the Track Record Period, we experienced delay of our customers in confirming the used ad inventory volume with us and settlement of payments with us due to various reasons, including delay in issuing and mailing invoices in physical copies to our customers as part of the payment procedure arising from offices and general services disruptions, suspension of mail services and lockdown in various cities in the PRC as affected by the COVID-19 pandemic and implementation of work-from-home arrangement which may affect the overall operation and settlement efficiency to a certain extent. There is no guarantee that our customers will promptly confirm such data with us, and such delay of confirmation will lead to our postponement of issuance of our invoices to our customers, which in turn leads to further delay in collection of our fees and lengthen the trade receivable turnover days. As we generally do not require collateral or other security from our customers, actual losses on trade receivables balance could differ from those that we anticipate and reserve in our allowance account which we might lead to adjust our allowance. Any change in macroeconomic conditions or government policies could also result in financial difficulties for our customers, including limited access to the credit markets, insolvency or bankruptcy, and as a result could cause our customers to delay payments to us, request modifications to their payment arrangements or default on their payment obligations to us. If we are unable to collect our trade receivables from our customers, our business, financial condition and results of operations may be materially and adversely affected.

We may make prepayments to suppliers before arranging the bidding of advertising space which may impose substantial cash requirements for funding our services and expose our Group to credit and liquidity risks as well as working capital insufficiency due to the mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers and we may not be able to recover our prepayments in a timely manner from our media partners

There is a time lag between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers, which imposes a substantial cash requirements for funding our services. Such time lag is resulted from the fact that (i) as part of our services to customers subject to various commercial terms, we may make prepayments for the acquisition of advertising space from media partners in cash before arranging the bidding of advertising space for some of our customers; and (ii) we generally offer (a) customers for our advertising solution services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and (b) customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. For further details, see "Business — Working capital cycle" and "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus.

We only make prepayments for the acquisition of advertising space from media partners as required by the respective media partners and based on our customers' advertising orders. The volume of advertising space so purchased are made with reference to the budget of each mobile ad. We experience a mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers, which imposes a substantial cash requirements for funding our services and exposes our Group to credit and liquidity risks as well as working capital insufficiency. The scale of our mobile advertising services is therefore constrained by the working capital we have in hand from time to time. According to the iResearch Report, it is an industry norm that there may be timing mismatch between the payments to media partners and the receipt of payment from customers.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the prepayments to suppliers (i.e. the payments of traffic acquisition costs prepaid for our customers) amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB334.5 million, respectively, representing approximately 38.3%, 38.6%, 50.0% and 58.5% of our total assets as at the respective dates, respectively. Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It primarily included (i) the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers and (ii) the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. The increase in prepayments to suppliers was mainly attributable to prepayment to suppliers of our advertisement distribution services to meet the expected demand of our mobile advertising services and the growth of our business during the Track Record Period. If there is any increase in demand from our customers for advertising space from media partners which require our prepayment and thereby the amount of required prepayment may increase significantly, or if our customers fail to settle our invoices in a timely manner or in full, we may be exposed to credit and liquidity risks as well as working capital insufficiency caused by the timing mismatch between the payment for the acquisition of advertising space from media partners and the receipt of payment from our customers. Although any unused advertising space is generally refundable in cash upon our request and we had not experienced any failure to recover such refund during the Track Record Period, there is no assurance that we may receive the refund of prepayment made to our media partners in a timely manner. We may be exposed to the risk of default and recoverability risks in refund of prepayment.

We had net cash used in operating activities for the year ended 31 December 2020 and the nine months ended 30 September 2023

We had net cash used in operating activities of approximately RMB14.3 million and RMB57.4 million for the year ended 31 December 2020 and the nine months ended 30 September 2023, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our operating cash outflow was primarily due to the long average trade receivable turnover days of approximately 71 days, 83 days, 75 days and 59 days, respectively. For details, see "Financial information — Liquidity and capital resources" in this prospectus.

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record negative operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. And our ability to obtain external financing in the future and the cost of such financing are subject to our future results of operations, financial condition and cash flows, the condition of the financial market, the availability of financings and other factors which are beyond our control. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we may need to reduce our scale of operations and our business, financial condition and results of operations may be materially and adversely affected.

Any change in advertising needs or adverse impact on the business of our Group's customers may affect our business

Our business is affected by the advertising needs of our customers. During the Track Record Period, we served customers with different scale and advertising needs. Customers' advertising needs and budgets may vary from year to year and we would explore business opportunities with new customers as and when opportunities arise. Accordingly, there may be fluctuations in our average revenue per customer and the number of our customers may increase or decrease from time to time. Further, the business of our customers may be affected by any impact of new or amended laws and regulations in their industries. Any change of laws and regulations in our customers' industries or change of business environment in their industries may affect their business plans, marketing plans and advertising needs or budgets, which may result in decrease in demand for our advertising services. For example, our revenue generated from the gaming industry amounted to approximately RMB0.9 million for the year ended 31 December 2020, which, as far as our Directors are aware after having made due and careful enquiries, was mainly attributable to the change of advertising plans of gaming companies after the promulgation of new laws and regulations by the PRC government, such as the Notice on Workings to Prevent Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲工作的通知》) and the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which aimed at limiting the duration of time spent by minors on online games. Our customers' businesses may be affected by implementation of new laws and regulations in their industries, their advertising needs of our customers would affect their business plans, marketing plans, advertising needs or budgets and their transactions with us, which may in turn adversely affect our financial performance and results of operation.

Fluctuations in the traffic acquisition costs may have adverse effect to our profitability

We rely on the supply of advertising space from our media partners to place mobile ads for our customers. Our traffic acquisition costs were approximately RMB291.7 million, RMB364.0 million, RMB377.4 million, RMB277.0 million and RMB410.0 million for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively, representing approximately 97.0%, 96.7%, 96.9%, 97.0% and 97.6% of our cost of services during the corresponding years/periods respectively. Any fluctuation in the traffic acquisition costs may have adverse effect to our profitability. For a sensitivity analysis illustrating the impact of hypothetical fluctuations in traffic acquisition costs on our profit before income tax during the Track Record Period, see "Financial information — Major factors affecting our results of operations — Ability to control our costs and expenses" in this prospectus. If we fail to pass on the increase in traffic acquisition costs to our customers in part or in full, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to provide mobile advertising solutions services to our customers in a timely manner or at all, which may subject us to refund of service fees

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we derive approximately RMB343.4 million, RMB433.3 million, RMB454.2 million and RMB477.3 million, representing 90.9%, 92.1%, 92.2% and 96.0% of our total revenue, from provision of mobile advertising solutions services to customers. Under certain circumstances, we may require service fees to be paid by our customers, for instance new small and medium-sized direct advertisers, in advance prior to the provision of the relevant underlying services, which are initially recorded as contract liabilities and are recognised as revenue when the relevant services are rendered to our customers. We recorded contract liabilities of approximately RMB13.0 million, RMB16.1 million, RMB6.4 million and RMB13.8 million as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. The delivery of our mobile advertising solutions services to our customers may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of *force majeure* events, regulatory changes and/or natural disasters. Although there was no suspension or disruption of our business during the time when lockdown measures were implemented in the PRC as affected by the COVID-19 pandemic, we cannot guarantee that our business would not be suspended, disrupted or affected by any strict implementation of quarantine measures and lockdown measures in the future. In the events that our business is suspended or disrupted or we might not be able to fulfil our obligation in respect of the contract liabilities, we may need to refund a portion or all of our contract liabilities not yet recognised as revenue to our customers, which could result in a material and adverse impact on our cash and liquidity positions and our cash flows generated from operating activities. In the event we are unable to successfully render services to our customers in the future, we may be subject to claims to refund a portion or all of our contract liabilities, which could materially and adversely affect our business, results of operations and financial condition.

Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations

Our Group has benefited from the preferential tax treatment and, thus, recorded statutory tax concession of approximately RMB10.9 million, RMB13.1 million, RMB14.1 million, RMB8.9 million and RMB11.1 million for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively. In particular, Beijing Lesimedia is recognised as a high-tech enterprise and as a result, it enjoyed preferential tax rate of 15% from December 2020 to October 2026. Moreover, (i) Khorgos Lechuang and Khorgos Lemon are entitled to an income-tax-free period from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang can enjoy a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia enjoy a preferential income tax rate of 20% from 1 January 2022 to 31 December 2024. In addition, an additional 100% of qualified research and development expenses incurred by Beijing Lesimedia is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. For further details, see "Regulatory overview — Laws and regulations relating to taxation" and "Financial information — Key components of our results of operations — PRC enterprise income tax" in this prospectus.

We also received subsidy rewards and, thus, recorded restricted bank deposits of approximately RMB423,000, nil, RMB5,000 and RMB7,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. See "Financial information — Major components of consolidated statements of financial position — Restricted bank deposits" in this prospectus. There can be no assurances that we would continue to enjoy these preferential tax treatment or financial subsidies or government grant at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment or financial subsidies or government grant to us could adversely affect our financial condition and cash flows.

We may be subject to penalties as a result of private lending transactions with non-financial institutions during the Track Record Period, which constitute non-compliance under the PRC laws

During the Track Record Period, we had unsecured borrowings to and from non-financial institutions. For details, see "Business — Legal proceedings and compliance — Borrowings from non-financial institutions during the Track Record Period" in this prospectus. As advised by our PRC Legal Adviser, such borrowings from/to non-financial institutions with our Group constitute non-compliance under the PRC laws, and the People's Bank of China ("**PBOC**") may impose penalties on the lender equivalent to 1 to 5 times of the income generated (being interests charged) from loan advancing activities. Accordingly, our maximum potential penalty arising from lending interest-bearing loan to the Independent Third Parties during the Track Record Period amounted to approximately RMB400,000. There is no assurance that we will not be charged for such historical non-compliance or will not be subject to any of such penalty. We cannot assure you that our business operations comply with such regulations and authorities' requirements in all respects. If any other non-compliance is raised by relevant authorities and determined against us, we may be subject to fines and other penalties. Any of these penalties could have a material adverse effect on our business, financial position and results of operations.

If we are provided with inaccurate or fraudulent data, it may have an adverse impact on our business, results of operations and reputation

We depend on the accuracy and genuineness of ad performance data and other data provided by our customers and media partners in evaluating the effectiveness of ad campaigns and determining the service fees that we charge our customers and the traffic acquisition costs that we pay to our media partners. Currently, we rely on the accuracy of the performance data extracted from our media partners in ensuring our appropriate billing to customers given that most of our advertising space were acquired from leading media platforms with market leadership and excellent track record. Where there is major challenges to the performance data presented to our customers, they may select to engage Independent Third Parties for data tracking to verify the performance data, and we may be unable to further reaffirm any discrepancy discovered pursuant to any such data verification. If the data as extracted from or provided by our media partners is found inaccurate or fraudulent, we may not be able to optimise the performance of ad campaigns for our customers, and customers may thereby not engage us for our mobile advertising services in the future. It may also harm to our reputation and any loss of our customers may adversely affect our business, results of operations and financial conditions.

There is lack of a transparent pricing system for mobile advertising market in the PRC, and our media partners control the process for bidding advertising space

Each media publisher has its respective proprietary ad inventory pricing and bidding mechanism for each of its media platforms which is not completely transparent. Pursuant to the prevailing bidding mechanism adopted, our media partners control the bidding process for the advertising space they supply and they may place restrictions on the use of their advertising space. Nevertheless, in order to acquire advertising space from our media partners, we have to bid through their advertising bidding platforms.

There is no assurance that during the process of bidding, we are able to put forward accurate pricing for successfully bidding the advertising space desired by our customers or that our bids are treated fairly and equally, and we may lose our customers if we are not able to bid or place for the desired advertising space at competitive rates, or fail to arrange a substitute or alternative sources of advertising space with comparable traffic patterns and consumer demographic for our customers in a timely manner, and our financial conditions and performance will be adversely and materially affected.

Our business is subject to complex and evolving laws and regulations, which may be relatively new

The mobile advertising industry in which we operate in is relatively highly regulated. We and our media partners are subject to a variety of laws and regulations that involve matters vital to our business, including, among others, advertising, marketing, distribution, intellectual property, data security and privacy and taxation. We may be affected by any implementation of new laws and regulations that are applicable to our media partners. For example, our media partners may be subject to Notice on the Illegal Collection and Use of Personal Information by 129 Apps Such As 'Keep' (《關於Keep等129款App違法違規收集使用個人信息情況的通報》) issued by the Cyberspace Administration of China ("**CAC**") in June 2021, which restricts media platforms' capabilities to collect users' details and behaviours on their app platforms. The categories of app targeted in this notice include, among others, fitness, online shopping, education, dating and app store. This notice aims to enhance the CAC's scrutiny of the data collection use policy of leading technology companies so as to prohibit them from infringing the app users' personal information and their privacy. Operators of apps listed in those notices were required to rectify those illegal behaviour within a prescribed time limit and report rectification results to the CAC. Further, our media publishers may collect personal information of mobile users through their media platforms. If our media publishers collect personal information of mobile users, they would be required to obtain consents from mobile users and would be subject to the requirements under the Personal Information Protection Law. If our media publishers are restricted from collecting performance data of mobile ads from mobile users due to new regulatory requirements, they may not be able to collect and provide us with such data.

We rely on our media partners to collect ad performance data and store them in our database for future review and analysis, so that we can get a better understanding of mobile users' behaviours which allows us to prepare more effective marketing plans for our customers. If such regulations are implemented on our media partners' platforms, they will adjust their policies on data access, data collection and content restrictions from time to time while such changes are beyond our control, and this may affect the business of media platforms whereas we may not be able to collect ad performance data from these media platforms for optimising our mobile advertising services and thus our business and financial performance may be adversely affected.

In addition, since our customers are in different industries, any implementation of regulations and policies by regulatory authorities on various industries may also affect the business of our customers and their advertising needs, and further affect our ability to generate profits from the customers in these industries. Hence, any laws and regulations in regulating those industries may in turn affect our business and/or our collection of our account receivables.

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the New CAC Measures, which came into effect on 15 February 2022 and would repeal the previous version promulgated on 13 April 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of the Company, with China Cybersecurity Review Technology and Certification Center ("**CCRC**"), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that listing in Hong Kong will not be deemed as listing abroad under the New CAC Measures.

Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the definition of "abroad" in the provision; (ii) our Group had not been notified by any authorities of being classified as a critical information infrastructure operator, and according to relevant rules, the relevant authorities must notify operators if they are categorised as critical information infrastructure operators; (iii) our Group possesses personal information of the main contact persons of our customers which is far less than 1 million as our business mainly involved provision of mobile advertising services for enterprise advertisers instead of end consumers and our Group does not possess any mobile users' personal information; and (iv) our Group had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the New CAC Measures during the Track Record Period and up to the

Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations may change. For details of the rules in relation to the identification of critical information infrastructure operators, see "Regulatory Overview — Laws and Regulations relating to the protection of cyber security, data and privacy protection" in this prospectus.

In addition, on 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulation**") was proposed by the CAC for public comments. The Draft Regulation provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review. However, the Draft Regulation provides no further explanation or interpretation for "affects or may affect national security". As advised by our PRC Legal Adviser, the exact scope of "affects or may affect national security" should be determined in accordance with the relevant laws and regulations in effect at the time. The Draft Regulation also requires data processors to be responsible for the security of the data processed and perform data security protection obligations. As our Group processes data received from our media partners, such as behaviour data of mobile users and ad performance data, our Group may be subject to the Draft Regulation, if implemented in its current form. For details of our measures to ensure compliance with the Draft Regulation, if implemented in its current form, see "Business — Cyber data security" in this prospectus. Our Directors and our PRC Legal Adviser are of the view that the Draft Regulation, if implemented in its current form, would not have a material adverse impact on our business operations, our financial performance, or the Global Offering. However, if we were deemed as a data processor that "affect or may affect national security" by the relevant laws and regulations in effect at the time, we may be subject to cyber security review. If we fail to pass such cyber security review, our Global Offering may be impeded, our business operations may be adversely affected, and/or we may be subject to other severe penalties and/or action by the competent government authority.

Furthermore, on 25 February 2023, the SAMR promulgated the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), which became effective on 1 May 2023 and the Interim Administrative Measures for Online Advertising (《互聯網廣告管理暫行辦法》shall be abolished simultaneously. Pursuant to the Administrative Measures for Online Advertising, commercial advertising activities conducted within the territory of the PRC to directly or indirectly promote a product or service through text, images, audio, video, or any other form, using any website, web page, web application, or other online media, shall be governed by such measures and the Advertising Law. An advertising agent or advertising publisher shall establish, improve and implement systems for the receipt and registration, moderation, file management in respect of their online advertising business. Also, advertising agents and advertising publishers shall cooperate, in accordance with the law, with the investigation of the online advertising industry conducted by market regulatory authority, and provide truthful, accurate, and complete information in a timely manner.

The Administrative Measures for Online Advertising further provides that an online ad shall be identifiable so that it can be clearly identified by consumers as an advertisement. Any paid search ad for a product or service shall be prominently indicated as an "advertisement" by the advertising publisher to distinguish it from natural search results. When publishing an online ad in forms such as in pop-up form, the advertiser and the advertising publisher shall prominently display a close symbol to ensure that it can be closed in one click. It is prohibited to deceive or mislead users into clicking or browsing an ad through certain means. For those who violating the Administrative Measures for Online Advertising, they may be subject to punishment, including but not limited to fines, confiscating advertising fees, suspension of advertisement publishing business, or revocation of business licence. For details of our measures, see ''Business — Regulatory development of internet advertising'' in this prospectus. Upon implementation of the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), any non-compliance may affect our reputation, and lead to significant consequence in relation to our business, financial condition and results of operations.

Our Directors believe that these laws and regulations, as well as any associated inquiries or investigations or any other governmental actions, may be costly to comply with and may result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

We may face potential liability from posting restricted ad contents, which may harm our business due to the nature of our business

We may from time to time result in litigation relating to copyrights, patents, know-how or trademark infringements held by third parties, public performance royalties or other claims based on the nature and content of advertising that is produced or distributed by us. Under the Advertising Law of the PRC (《中華人民共和國廣告法》) (the ''**Advertising Law**''), where an advertising operator provides advertising design, production or agency services with respect to an internet ad (including mobile ad) when it knows or should have known that the internet ad is false, fraudulent, misleading, or otherwise illegal, the competent PRC authority may confiscate the advertising operator's advertising revenue from such services, impose penalties, order it to cease dissemination of such false, fraudulent, misleading or otherwise illegal internet ad or correct such internet ad, or suspend or revoke its business licences under certain serious circumstances. Under the Advertising Law, ''advertising operators'' include any natural person, legal person or other organisation that provides advertising design, production, or agency services to advertisers for their advertising activities.

As our mobile advertising services involve provision of ''ad design, production and agency services'' to customers, we are deemed as an ''advertising operator'' under the Advertising Law. As a result, we are obligated to ensure that the ad contents of our mobile ads are true, accurate and in full compliance with applicable laws and regulations. In addition, under our agreements with the media platforms, for ad contents related to certain types of products and services, such as alcohol, cosmetics, pharmaceuticals and medical procedures, we are expected to confirm that the customers have obtained requisite government approvals, including operating qualifications, proof of quality inspection for the advertised products, government pre-approval of the content of the mobile ads, and filings with the local authorities. For mobile advertising solutions services, our customers would provide us with various contents or materials for our production of mobile ads. We may not have control over all the contents of mobile ads. Despite that we have established internal review policies to scrutinise the content of the mobile ads, we cannot assure you that each ad content that we produce and place with our media partners complies with all applicable PRC laws and regulations, or that supporting documentation provided by our customers is authentic or complete. In the event that we overlook a mobile ad containing restricted ad contents and we post such mobile ad on media platforms, we may be subject to penalty and may risk service suspension by media platforms which in turn our other customers may sue us for their loss in revenue due to the suspension of their ad placements.

For advertisement distribution services, our customers would provide us with their mobile ads for distribution and we have no control over the ad contents as we are not involved in the production of mobile ads. Although we have our policies to scrutinise the contents of mobile ads prior to distribution, we cannot assure you that our customers will make adequate measures to ensure their ad contents is in compliance with the applicable laws and regulations and we may be exposed to potential liability and our reputation may be damaged. Our customers may be blacklisted by the media platforms and ordered to remove their mobile ads on the media platforms, or in worst case, they may be ordered by governmental authorities to suspend or terminate their operations. In the event that such customers are unable to rectify their ad contents to comply with the rules and regulations, we may need to cancel or terminate such ad campaign, and our reputation, business, financial conditions, results of operations and reputation may be materially and adversely affected.

Our business strategies are subject to uncertainties and risks in this rapidly expanding and evolving mobile advertising industry in the PRC and our future growth may therefore not materialise as planned

Our growth is dependent on, among other things, our proper and timely execution of our future business plans. It is our aim to solidify our market position in the mobile advertising industry and strengthen our mobile advertising services and short video content production capabilities. We will continue to explore potential business opportunities in the advertising and marketing industry to expand and diversify our business for our continuous growth and development. As our operations may grow in size, scope and complexity, we will incur significant costs to maintain a stable and sustainable relationship with our existing customers and media partners and to explore more new business opportunities and/or emerge into any alternative business models. We will also allocate additional resources to strengthen and expand our short video production business with our current competitive edge in tailor-made mobile advertising solutions. However, the likelihood of returns on such investments may not be achieved within a few years, or possibly at all. Our future plans will also require significant managerial attention and resources to implement. As we seek to continue expanding our existing business our future business plans may be hindered by factors beyond our control, such as our ability to adapt the changes in the PRC's economic conditions in general and the rapid growth and development of the mobile advertising market in the PRC, to compete effectively with our competitors in the mobile advertising industry and to adapt the changes in government regulations regarding the use of internet and mobile apps. As a result, we cannot assure you that our future business plans will materialise in accordance with the timetable, or at all, or that our objectives will be accomplished fully or partially, or that our business strategies will generate the intended benefits to us as initially contemplated. For further details, see "Business — Strategies and future plans" and "Future plans and use of proceeds — Use of proceeds" in this prospectus.

If we fail to implement our expansion plans and business development strategies successfully, our business performance, financial condition and future prospects and growth could be materially and adversely affected. Since our business strategies are subject to the above-mentioned uncertainties and risks, we cannot assure you that our future growth will materialise or rapidly developed as planned. Our business, financial condition, results of operations and growth prospects could be materially and adversely affected if our future plans fail to achieve positive results.

In addition, we may encounter technical problems, security issues and logistical issues that may prevent our self-developed platforms from functioning properly. If we are unable to resolve such problems in a timely manner, or at all, we may lose our existing users or face lower user engagement. In addition, we may not be able to recruit sufficient qualified personnel to support the growth of our self-developed platforms. As confirmed by our PRC Legal Adviser, the operation of our existing self-developed platforms for internal use do not require a value-added telecommunication business operation licence under the relevant PRC laws and regulations. However, our future development of and investment in our self-developed platforms may be subject to PRC laws and regulations governing licence approval and renewal and we cannot assure you that we can obtain or renew our licence on time, if at all. Any of the foregoing could adversely affect our reputation, business, financial condition and results of operations.

We may not be able to secure funding for our planned operations

To fund our continuous growth and development in the future, we may need to secure additional funding, in addition to the net proceeds from the Global Offering, to fund our future capital expenditures. Historically, we have funded our operations primarily with cash generated from operations, bank borrowings and other financings. We cannot assure you that we will be able to continue to secure funding on terms acceptable to us or in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, joint-venture partners and other strategic investors. We may also consider raising funds through the issuance of new Shares, which would lead to the dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

Our strategy of making strategic alliances, acquisition and investment may fail and result in a material and adverse impact on our financial condition and results of operations

As part of our business growth strategy, we may, in the future, acquire, cooperate with, and invest in businesses that we believe can expand and strengthen our services and expand our business. To achieve these goals, we plan to pursue merger and acquisition opportunities in the advertising and marketing industry in the PRC or overseas markets to further expand our business and optimise the results of our operations. We aim at acquiring or investing in companies that can create synergies with our existing business and can strengthen our solutions services and capacities, such as marketing companies engaging in the provision of live streaming contents on the e-commerce platforms, with an established customer base, and marketing companies engaging in the provision of post advertising services for sale of products on overseas media platforms. See "Business — Strategies and future plans — Exploration of business collaboration and merger and acquisition opportunities with well-established companies" and "Future plans and use of proceeds — Use of proceeds" in this prospectus.

Our future mergers and acquisitions could be subject to uncertainties as to whether we can acquire suitable targets given that the competition in the mobile advertising service industry is keen and the size of our Group is small. Moreover, we may also subject to other risks and uncertainties, including (i) high acquisitions and financing costs; (ii) potential ongoing financing obligations and unforeseen or hidden liabilities of the acquired businesses; (iii) potential loss of key business relationships and the reputation of the target companies; (iv) failure to achieve our intended objectives, benefits or revenue-enhancing opportunities; (v) costs associated with, and difficulties in, integrating acquired business and assets into our own; (vi) potentially significant goodwill impairment charges; and (vii) amortisation expenses of other intangible assets. Our failure to address these uncertainties and risks may have a material and adverse effect on our liquidity, financial condition and results of operation. Even if we can successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. If we fail to identify or acquire suitable businesses or achieve our expected returns on such acquisitions or investments, our business, financial condition, and results of operation may be materially and adversely affected.

Any breaches to our security measures, including unauthorised access, computer viruses and hacking, may adversely affect our database, reduce use of our services and damage our reputation and brand names

The volume of data that we process and store makes us an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have established mechanisms to protect our database, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate and timely preventative measures. Any accidental or willful security breaches or other unauthorised access to our database could cause confidential information to be stolen and used for illegal purposes. Security breaches or unauthorised access to confidential information could also expose us to liability relating to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our information technology infrastructure are exposed and exploited, our relationships with our customers and media partners could be severely damaged, we could incur significant liability and our business and operations could be materially and adversely affected.

Interruption or failure of our information technology infrastructure could impair our ability to provide our services to our customers, which could cause us to lose customers and media partners, and harm our business and results of operations

Our business depends partly on the performance, reliability and stability of our information technology infrastructure. We may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks. Any interruption or failure of our information technology infrastructure to function properly could impair our ability to effectively deliver our mobile advertising services, and cause loss of customers, media partners, disruption to our business activities and processing inefficiencies, which may have a negative impact on our business operations and reputation. Our business in the mobile advertising industry depends on the performance and reliability of the internet infrastructure in the PRC. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We rely on this infrastructure to provide data communications primarily through local telecommunication lines and wireless telecommunication networks. In the event of disruptions, failures or other problems with the PRC's internet infrastructure, we may not have access to alternative networks or it may limit to our ability to deliver our mobile advertising services and adversely affect our business, results of operations and financial conditions.

In addition, since we rely on our media partners for placement of mobile ads, any interruption or failure of their information technology and communications systems may undermine the effectiveness of our services. In such event, we are in no position to rectify any failure of the system of our media partners. Our services may be interrupted and lead to adverse impact on our operations and financial performance.

Our investments in the development and upgrade of the system on our self-developed platform may not be successful, which may have an adverse impact on our financial conditions and profitability.

To adapt to the evolving mobile advertising industry and to keep up with the continuous technological developments, we are required to continuously develop and upgrade our self-developed platform. See "Business — Strategies and future plans — Enhance and upgrade the functions of our self-developed platform" and "Future plans and use of proceeds — Use of proceeds" in this prospectus. However, our investments in the upgrade and development of our self-developed platform may take time to show its effect and may not be successful or may fail to achieve the intended effect due to a variety of reasons such as technical hurdles, inaccurate predictions of market demand and trends or a lack of necessary resources. Failure of such investments to effectively upgrade our self-developed platform may lead to inefficient use of financial resources and manpower and may reduce our profitability and have an adverse impact on our financial conditions.

Failure to make adequate contributions to social insurance and housing provident funds and open account for house provident funds for certain subsidiaries of our Group as required by the PRC laws and regulations

Pursuant to the relevant PRC laws and regulations, we are required to make, among other things, adequate contributions to social insurance and housing provident funds for our employees and open accounts for house provident funds for all PRC subsidiaries of our Group. During the Track Record Period, we were not in strict compliance with the requisite requirements. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the aggregate shortfall in such contributions amounted to approximately RMB1.1 million, RMB2.7 million, RMB1.7 million and nil, respectively, and relevant provision has been made in our historical financial information. As advised by our PRC Legal Adviser, with respect of the failure to make adequate social insurance premiums, we may be ordered by the social security premium collection agency* (社會保險費徵收機構) to make or supplement contributions within a stipulated period and may be subject to a late payment fee equals to 0.05% of the shortfall amount calculated daily starting from the date the relevant social insurance funds become payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of 1 to 3 times of the shortfall amount. And, with respect to the failure to make adequate housing provident fund contribution, housing provident fund management centre may require us to make the overdue payment and deposit within a prescribed time limit, failing which it may seek court order against us and to collect the outstanding housing provident fund contributions. Moreover, we may be ordered to pay a penalty between RMB10,000 and RMB50,000 for each of our subsidiaries that failed to open housing provident fund accounts within a prescribed time limit. We estimate that (i) the potential maximum penalties that can be imposed on us in relation to contributions to social insurance premiums during the Track Record Period would be approximately RMB0.7 million provided that we would rectify the non-compliance by paying the shortfall within a prescribed time limit if we are ordered by the relevant agency and (ii) the potential maximum penalties that can be imposed on us in relation to opening accounts for housing provident funds during the Track Record Period would be RMB50,000. For details, see "Business — Employees" in this prospectus.

There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. Moreover, there is also no assurance that we will not be ordered to rectify such incidents or subject to penalties imposed by the relevant PRC authorities as a result of such incidents. Any such complaints, orders or penalties may have an adverse effect on our financial conditional and results of operations. In addition, we engaged a third-party human resources agent to make contributions to social insurance and housing provident funds for some of our employees. However, we cannot assure you that such third-party agent makes contributions to social insurance and housing provident funds in full in a timely manner, or at all, and even if it does, the relevant government authorities may deem such practice to be non-compliant with the relevant labour laws and bring enforcement actions against us. If the relevant PRC authorities determine that we shall make up for social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

We may be subject to legal proceedings in the ordinary course of our business

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations and financial condition. Moreover, we may be liable for the content published on behalf of our customers. If any third-party infringement claims are brought against us, we may be subject to liability and forced to divert our management's time and other resources from our business and operations to defend against these claims, regardless of the merits of the claims. We may receive formal and informal inquiries from governmental authorities and regulators regarding our compliance with laws and regulations, many of which are evolving and subject to interpretation. Although we were not involved in any material litigation in which we are a defendant during the Track Record Period, claims arising out of actual or alleged violations of laws in any material aspect could be asserted against us by our customers, media partners, competitors, governmental entities in civil or criminal investigations and proceedings or other third parties. These claims could be asserted under a variety of laws, including but not limited to advertising laws, internet information services laws, intellectual property laws, data protection and privacy laws, labour and employment laws, securities laws, real estate laws, tort laws, contract laws, property laws and employee benefit laws. We may also be subject to lawsuits due to actions by our media partners or customers. There can be no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming and ultimately futile. These actions may expose us to negative publicity, substantial monetary damages and legal defence costs, injunctive relief, and criminal and civil fines and penalties, including but not limited to suspension or revocation of our licences to conduct business.

We may face challenges by third parties or governmental authorities with respect to property ownership and the use of our leased properties, which may expose us to potential fines and negatively affect our ability to use the properties that we lease

As at the Latest Practicable Date, for two of our leased properties, we have not been provided by the lessors with the relevant ownership certificates or any other documentation proving their right to lease those properties to us. As advised by our PRC Legal Adviser, in the event that our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other relevant parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. Moreover, we relocated our video production base to Changsha, Hunan, the PRC, in September 2022 in light of the investment policy of the High-tech Development District of Changsha, which invited enterprises to set up offices at the properties in the development district and provided rental subsidy as their supportive measures. As at the Latest Practicable Date, the actual use of such leased properties in Changsha is office and video production base, which is not consistent with the designated use of such premises. In the event that our use of property is challenged by third parties or governmental authorities, we may be forced to terminate the use of such properties or relocate to other properties as a transitional arrangement. Moreover, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to fines due to the lack of registration of our lease agreements

Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on 1 December 2010 and became effective on 1 February 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As at the Latest Practicable Date, none of our lease agreements had been registered. We may be required by relevant government authorities to file these lease agreements for registration within a time limit, and may be subject to a maximum fine of RMB10,000 for each lease agreement.

Our limited insurance coverage could expose us to significant costs and business disruption

Insurance companies in PRC generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economies. In line with general industry practice in PRC, we do not maintain business interruption insurance, key man life insurance, any insurance for our information technology infrastructure and systems or any insurance for our leased properties. Any disruption in our information technology infrastructure or business operations, litigation or natural disasters may result in our incurring substantial costs and the diversion of our resources, and we have no insurance to cover such losses. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our growth depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees

Our growth depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may lead to loss of business and have a material adverse effect on our business. For example, Mr. Zhao, our chairman of the Board, has extensive experience in sales and marketing in the technology and internet industries. Mr. Yu, our chief executive officer and executive Director, has accumulated approximately 20 years of experience in sales and marketing in the technology and internet industries. Mr. Nie, our chief operating officer and executive Director, has extensive knowledge and experience in business management and development in the media and technology industries for more than 15 years. We believe that their insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward our growth and development. For further details on our Directors, see "Directors and senior management" in this prospectus. If one or more members of our senior management or our key employees are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, which may result in material adverse changes to our established brand image, reputation, service quality or standards, and in turn, may disrupt our business and materially and adversely affect our business, financial condition and results of operations.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Act, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

We face risks related to natural disasters and health epidemics

Our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the national economy in general. In particular, there has been an outbreak of COVID-19 globally since 2020. In the event that the PRC government imposes more stringent measures to prevent the spread of those diseases in the future, or if our employees are affected by any severe communicable diseases outbreak, it could adversely disrupt our operation and the execution of customers' orders, in particular the delay in payment for our services, thus adversely affect our results of operations. The spread of any severe communicable disease may also affect the operations of our customers, which could lead to a decrease in the demand for our services, and may delay payments and have a material and adverse effect on our business, results of operations and financial conditions. For further details, see "Business — Impact of outbreak of COVID-19 on our business" in this prospectus.

Our office and ad content production base are located in Beijing and Changsha, where most of our management and employees currently reside, while our technology support and development team is located in Guangzhou, Guangdong, the PRC. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Beijing and Guangzhou or other cities in which our other offices are located, our operation may experience material disruptions, which may materially and adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The approval, filing or other administration requirements of the CSRC, the CAC, or other PRC governmental authorities may be required and/or supplemented in connection with the Global Offering and future securities activities under PRC laws, regulations or policies

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by 6 PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or a delay in obtaining any supplemental CSRC approval for the Global Offering may subject us to penalties imposed by the CSRC and other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of penalties that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Adviser is of the opinion that prior CSRC approval for the Global Offering is not required under the M&A Rules. See "History and development — PRC regulatory requirements" in this prospectus. However, our PRC Legal Adviser has further advised us that in the context of an overseas offering, their opinions summarised above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Adviser, and hence, we may face regulatory actions or other penalties from them. Furthermore, the PRC government authorities may strengthen its oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. For instance, on 6 July 2021, the relevant PRC governments released the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. These opinions and any related implementing rules to be enacted may subject us to additional compliance requirement in the Global Offering and future securities activities. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us.

On 17 February 2023, the CSRC promulgated the Overseas Listing Trial Measures and 5 relevant guidelines, which took effect on 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedures with the CSRC and report relevant information. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See "Regulatory overview — Overseas listing" in this prospectus.

In compliance with the Overseas Listing Trial Measures, such filing procedures were submitted on 5 May 2023. The CSRC published the notification on our completion of the required filing procedures on 21 December 2023. In addition, according to the Overseas Listing Trial Measures, any future issuance of new Shares or securities activities after the Listing will also be subject to filing procedure of CSRC and we are also required to report certain material matters to CSRC after the Listing. Any failure to perform such filing or reporting procedure would subject us to administrative penalties by CSRC, which could harm our reputation and may adversely affect our results of financial condition.

Furthermore, on 24 February 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality Provisions**"), which came into effect on 31 March 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulator or the relevant competent authorities on our PRC domestic companies with respect to our overseas issuance of new Shares and the Global Offering shall be carried out in the manner in compliance with PRC laws and regulations.

As at the Latest Practicable Date, we had not received any notice, warning, sanction, or any regulatory objection to the Global Offering from the CSRC, the CAC, or any other PRC governmental authorities that have jurisdiction over our operations. If it is determined in the future, other than the aforementioned filing completed, that approval from, or filing procedure with, the CSRC, the CAC, or other governmental authorities is required for the Global Offering, any failure to obtain or delay in obtaining such approval or completing such filing procedure for the Global Offering, or a rescission of any such approval is obtained by us, would subject us to penalties by the CSRC, the CAC, or other PRC governmental authorities for failure to seek approval, fulfil the necessary filing procedures, or obtain other governmental authorisation for the Global Offering. These PRC governmental authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, delay or restrict the repatriation of the proceeds from the Global Offering into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The CSRC, the CAC, or other PRC governmental authorities may also take actions requiring us, or making it advisable for us, to halt the Global Offering before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC, the CAC, or other governmental authorities later promulgate new rules or explanations requiring that we obtain their approvals or other kinds of authorisations for the Global Offering, we cannot assure you that we can obtain such approval or authorisation or complete the required filing procedures or other requirements in a timely manner, or at all, or obtain any waiver of aforesaid governmental requirements if and when procedures are established to obtain such a waiver. Any change of requirements or approvals could affect the trading price of our Shares.

The M&A Rules and certain other PRC regulations establish procedures for some acquisitions of Chinese companies by foreign investors, which could affect us to pursuing growth through acquisitions in PRC

The M&A Rules and some other regulations and rules concerning mergers and acquisitions established procedures and requirements, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise.

Moreover, the Anti-Monopoly Law (《反壟斷法》) requires that the relevant anti-monopoly authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the "Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors" issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defence and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise would generally be deemed as a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realised on the transfer of our Shares

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within PRC.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. If we are treated as a PRC resident enterprise as described under the risk factor headed "We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments", dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from sources within PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realised through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

The PRC's economic and social conditions and government policies, as well as the global economy, may continue to affect our business

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in the PRC and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies. The PRC government promotes PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact PRC's economic growth. There have been concerns on the relationship between the PRC and other countries, including the United States and the surrounding Asian countries, which may potentially have adverse economic effects. There have also been concerns on the trade war initiated by the United States against the PRC and other countries. We are unable to predict all the risks, uncertainties and fluctuations that we face as a result of current economic, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The PRC government's supervision of foreign currency conversion and regulations on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment

The PRC government imposes supervision on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of PRC. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of PRC, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In 2016, the PRC government amended its foreign exchange policies and stepped up scrutiny of major outbound capital movements. If the foreign exchange supervision system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, it may affect us paying dividends in foreign currencies to our Shareholders.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us

The SAT promulgated several rules and notices to tighten the scrutiny over acquisitions in recent years. On 3 February 2015, the SAT issued the "Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises" (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which was partially abolished by "Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises" (《關於非居民企業所得稅源泉扣繳有關問題的公告》) ("**Circular 37**") and "Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed" (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) ("**Circular 42**"). Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

As provided in Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organisation forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organisation forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbour**"). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbour. As stated in "Information about this prospectus and the Global Offering" in this prospectus, potential investors should consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The "Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles" (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), which was promulgated by the SAFE in February 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the qualified bank, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under Circular 37 has duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any such Shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, all of our current Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. Therefore, it may be comparatively more complicated and time-consuming for overseas investors to effect service of process upon those persons in the PRC. On 14 July 2006, Hong Kong and the PRC entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned" (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. On 18 January 2019, Supreme Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the "Arrangement on the Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region" (the "**New Arrangement**"), aiming to establish a clearer and more definite mechanism for mutual recognition and enforcement of a wider range of civil and commercial judgments in Hong Kong and Mainland China. The New Arrangement does not include written clause on jurisdiction between the parties. The New Arrangement replaced the Arrangement when it came into effect on 29 January 2024.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The Offer Price of our Shares may be volatile, which could result in substantial losses to you

The Offer Price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading price performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future

As the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers, Controlling Shareholders and the Pre-IPO Investor, could adversely affect the market price of our Shares

Future sales of a substantial number of our Shares, especially by our Directors, executive officers, Controlling Shareholders and the Pre-IPO Investor, or the perception or anticipation of such sales, could negatively impact the price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods after the Listing. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and Cayman Islands company law is set out in Appendix III to this prospectus.

Facts and statistics in this prospectus may come from official government sources and may not be fully reliable

Some of the facts and statistics in this prospectus are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or Independent Third Parties that our Directors believe are reliable. We believe that the sources of these information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources have not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

Prospective investors should read the entire document carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus. Prior to the completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Company has applied for a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules on the following grounds:

(a) our Group's headquarters and principal place of business are based in Beijing, the PRC;

(b) substantially all of our Group's assets and business operations are based in the PRC;

(c) throughout the Track Record Period, all of our Directors and senior management are based in the PRC or Singapore;

(d) Mr. Lee Cheuk Wang ("**Mr. Lee**"), one of our joint company secretaries, is an ordinarily resident in Hong Kong;

(e) the management and operation of our Group has been under the supervision of the current executive Directors, which has been proven to be effective. The current Directors are responsible for the day-to-day management of our Group's business. The appointment of two additional executive Directors who ordinarily reside in Hong Kong or the relocation of the executive Directors to Hong Kong would not only increase the administrative expenses of our Group but would also reduce the effectiveness and responsiveness of the decision making process of the Board, especially when business decisions are required to be made within a short period of time; and

(f) the additional executive Directors may not be able to fully understand the daily operations of our business or fully appreciate the circumstances surrounding or affecting our core business operations and development from time to time, as they are not able to physically attend to our operations and management in the PRC. Such additional executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate business decisions that are most beneficial to the business operation and development of our Company.

Due to the above reasons, we consider that the relocation of two executive Directors or the appointment of two additional executive Directors who will be ordinarily resident in Hong Kong for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules will not be beneficial to or appropriate for us and the Shareholders as a whole.

We have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Nie, our executive Director, and Mr. Lee, one of our joint company secretaries. Although Mr. Nie resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when it expires in order to visit Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange;

(b) our authorised representatives have means of contacting all of our Directors (including the independent non-executive Directors) and our senior management promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, our Company has implemented a policy whereby (i) each Director will provide his/her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorised representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorised representatives when he/she travels; and (iii) all Directors will provide his/her mobile phone numbers, office phone numbers, email addresses and office facsimile numbers to the Stock Exchange;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed China Sunrise Capital Limited as its compliance adviser, who will have access to the authorised representatives, our Directors and other senior management of our Company and will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among itself, its authorised representatives, Directors, other officers and the compliance adviser. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or our compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and compliance adviser in accordance with the requirements of the Listing Rules.

In light of the above arrangements, we believe that all members of the Board can be promptly informed of any matters raised by the Stock Exchange and that there is an effective communication channel with the Stock Exchange.

COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that a company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary. Mr. Nie, our executive Director and one of the joint company secretaries of our Company, currently does not satisfy the requirements of Rules 3.28 and 8.17 of the Listing Rules.

All of our Group's principal business operations are currently based in the PRC and it is expected that, for the foreseeable future, our Group will not have sufficient management presence in Hong Kong. As such, it is vitally important that the company secretary of our Company should possess sufficient knowledge and experience to discharge the functions of a company secretary.

Our Group has appointed Mr. Nie as one of the joint company secretaries of our Company. We believe that having regard to his past experience in handling our corporate matters, he has a thorough understanding of our operations and our Board, and is able to perform his duties as our joint company secretary. Mr. Nie joined our Group in November 2016 and has been working as our chief operating officer. He was appointed as a Director on 1 August 2022 and re-designated as an executive Director on 21 February 2024. He is responsible for the overall operational management and overseeing administration, compliance and sales and marketing for our Group. See "Directors and senior management" in this prospectus for further details of his qualifications.

However, Mr. Nie does not possess full qualifications as required under Rule 3.28 of the Listing Rules and as he has no previous experience regarding compliance with the Hong Kong regulatory system, he is not able to fulfil the requirements under Rule 3.28 of the Listing Rules. As such, we have appointed Mr. Lee as the joint company secretary of our Company and to provide joint company secretary support and assistance to Mr. Nie to enable him to acquire the relevant experience as required under Rule 3.28 of the Listing Rules and to duly discharge the functions of a joint company secretary. While Mr. Nie has no previous experience regarding compliance with the Hong Kong regulatory system, he will be assisted and have the resources and expertise of Mr. Lee as a joint company secretary.

Mr. Lee, being a solicitor of the High Court of the Hong Kong Special Administrative Region, satisfies the qualification requirements under Rules 8.17 and 3.28 of the Listing Rules. For details of his biographical information, see "Directors and senior management — Joint company secretaries" in this prospectus.

Therefore, our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 8.17 and 3.28 of the Listing Rules and the following arrangements have been made to satisfy those requirements:

(a) Mr. Lee shall be appointed as a joint company secretary for a minimum period of 3 years commencing from the Listing Date. During his engagement period, Mr. Lee will work closely with Mr. Nie and ensure that he will be available at all times to provide assistance to Mr. Nie for discharging his duty as a company secretary, including but not limited to organising the Board meetings and communicating regularly with Mr. Nie on matters relating to corporate governance, the Listing Rules, as well as the applicable Hong Kong laws and regulations which are relevant to us. We will further ensure that Mr. Nie will receive the relevant trainings and support to enable him to be familiar with the Listing Rules and the responsibilities of a company secretary as required under the Listing Rules;

(b) if Mr. Lee ceases to provide assistance to Mr. Nie, the waiver will be revoked by the Stock Exchange with immediate effect;

(c) pursuant to Rule 3.29 of the Listing Rules, each of Mr. Nie and Mr. Lee will attend in each financial year no less than 15 hours of relevant professional training courses to familiarise himself with the requirements of the Listing Rules and other Hong Kong regulatory requirements;

(d) if there is any material breach of the Listing Rules by our Company, the waiver will be revoked by the Stock Exchange; and

(e) our Company will liaise with the Stock Exchange to enable it to assess whether Mr. Nie, having benefited from the assistance of Mr. Lee for the initial 3 years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant's report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1) of the Companies (WUMP) Ordinance, a prospectus shall include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a report by the auditor of our Company with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of this prospectus and assets and liabilities of our Company at the last date to which the financial statements of our Company were prepared.

Pursuant to section 342A(1) of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2022 and the nine months ended 30 September 2023 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the three years ended 31 December 2023. As such, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

(a) this prospectus will be issued on or before 29 February 2024 and the Company's Shares will be listed on or before 31 March 2024, i.e. three months after the latest financial year-end;

(b) inclusion in this prospectus a profit estimate for the financial year ended 31 December 2023 in compliance with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that there is no material and adverse change to the financial and trading positions or prospects of our Company, with specific reference to the trading results from 1 October 2023 to 31 December 2023; and

(c) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (WUMP) Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; (ii) this prospectus will be issued on or before 29 February 2024 and the Company's Shares will be listed on or before 31 March 2024, i.e. three months after the latest financial year-end.

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the waiver and exemption would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountants of our Company (the "**Reporting Accountants**") to finalise the audited financial statements for the year ended 31 December 2023 for inclusion in this prospectus. If the financial information for the year ended 31 December 2023 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalise the Accountants' Report and the prospectus, and the relevant sections of the prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 December 2023 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the Listing timetable;

(b) our Directors and the Sole Sponsor herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of this prospectus, except to the extent disclosed in the section headed "Summary — Recent development" in this prospectus, there has been no material adverse change to the financial and trading positions or prospects of our Group since 1 October 2023 (immediately following the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this prospectus) up to 31 December 2023 and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, the financial information section, the profit estimate as set out in Appendix IIB to this prospectus and information regarding the Company's recent development subsequent to the Track Record Period and up to the date of this prospectus, since 1 October 2023;

(c) our Company is of the view that the Accountants' Report covering the three years ended 31 December 2022 and the nine months ended 30 September 2023, together with the profit estimate for the year ended 31 December 2023 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Sole Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of the activities, assets and liabilities, financial position, trading position, management and prospects included in this prospectus. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(d) our Company will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended 31 December 2023 on or before 31 March 2024 and 30 April 2024, respectively. In this regard, our Directors consider that the Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in "How to apply for the Hong Kong Offer Shares" in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Overall Coordinators (for themselves or on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Overall Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of 3 weeks from the date of the closing of the application lists, or such longer period (not exceeding 6 weeks) as may, within the said 3 weeks, be notified to our Company by the Stock Exchange.

FILING WITH AND APPROVAL FROM THE CSRC

In compliance with the Overseas Listing Trial Measures, we shall complete the filing procedures with the CSRC and report relevant information with respect to the Listing after the submission of our listing application to the Stock Exchange. Such filing procedures were submitted on 5 May 2023. The CSRC published the notification on our completion of the required filing procedures on 21 December 2023.

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. Our Company's principal register of members will be maintained in our Company's principal share registrar in the Cayman Islands, Conyers Trust Company (Cayman) Limited. Dealings in the Shares registered in the register of members of our Company maintained by the Hong Kong Branch Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in "Structure of the Global Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in "How to apply for the Hong Kong Offer Shares" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

Unless otherwise specified, conversion of RMB or US$ into HK$ in this prospectus is based on the following exchange rates (for illustration purposes only): HK$1.00 = RMB0.9062 or HK$7.85 = US$1.00. No representation is made that any amounts in RMB or US$ were or could have been or could be converted into HK dollars or US$ at such rates or any other exchange rates on such date or any other date.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than 1 thousand or 1 million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Zhao Libing (趙利兵先生)	5–2–1102, Huafang Yicheng No. 29 Qingnian Road Chaoyang District Beijing, PRC	Chinese
Mr. Yu Canliang (余燦良先生)	7-1-502, 6th District, Longjinyuan Huilongguan, Changping District Beijing, PRC	Chinese
Mr. Nie Jiang (聶江先生)	5-6-262, No. 6 Wulidian West Road Tongzhou District Beijing, PRC	Chinese
Ms. Shu Qing (舒清女士)	7-1-502, 6th District, Longjinyuan Huilongguan, Changping District Beijing, PRC	Chinese
Non-executive Director		
Ms. Chang Qing (常青女士)	19C Simei Street 4 #04-30 Double Bay Residences Singapore 528715	Chinese
Independent non-executive Directors		
Mr. Lu Yao (陸耀先生)	A12, Hepingli Middle Street Dongcheng District Beijing, PRC	Chinese
Ms. Zheng Hong (鄭紅女士)	4-601, 8th Block Jiaodaokou East Street Dongcheng District Beijing, PRC	Chinese
Mr. Hu Hui (胡輝先生)	1811, 2nd Block Fengya Mingyuan No. 67 Gufeng North Road Yuelu District Changsha City Hunan, PRC	Chinese

For further information on the backgrounds of our Directors, see "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China Sunrise Capital Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* Unit 4513 45th Floor, The Center 99 Queen's Road Central Hong Kong
Joint Overall Coordinators	**China Sunrise Capital Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* Unit 4513 45th Floor, The Center 99 Queen's Road Central Hong Kong
	China Sunrise Securities (International) Limited *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO* Unit 4502 45th Floor, The Center 99 Queen's Road Central Hong Kong
Sole Global Coordinator	**China Sunrise Securities (International) Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO* Unit 4502 45th Floor, The Center 99 Queen's Road Central Hong Kong

Joint Bookrunners	**China Sunrise Securities (International) Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO* Unit 4502 45th Floor, The Center 99 Queen's Road Central Hong Kong
	ABCI Capital Limited *A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	BOCI Asia Limited *A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
	BOCOM International Securities Limited *A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities as defined in the SFO* 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	CEB International Capital Corporation Limited *A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* 22nd Floor, AIA Central 1 Connaught Road Central Central Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
20th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Joint Lead Managers

China Sunrise Securities (International) Limited
A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
Unit 4502
45th Floor, The Center
99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities as defined in the SFO
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CEB International Capital Corporation Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
22nd Floor, AIA Central
1 Connaught Road Central
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
20th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Long Bridge HK Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities as defined in the SFO
Unit 3302, 33rd Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Orient Securities (Hong Kong) Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
28th and 29th Floor
100 Queen's Road Central
Hong Kong

Soochow Securities International Brokerage Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined in the SFO
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Valuable Capital Limited
A corporate licensed under the SFO to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities as defined in the SFO
Room 3601–06 & 3617–19, 36th Floor
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law
Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

As to the PRC law
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

As to Cayman Islands law
Conyers Dill & Pearman
29/F One Exchange Square
8 Connaught Place
Central
Hong Kong

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law
Holman Fenwick Willan
15th Floor, Tower One
Lippo Centre
89 Queensway
Admiralty
Hong Kong

As to the PRC law
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing, PRC

Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Compliance adviser	**China Sunrise Capital Limited** *A corporation licenced under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO* Unit 4513 45th Floor, The Center 99 Queen's Road Central Hong Kong
Industry consultant	**Shanghai iResearch Co., Ltd.** 3/F, Building H, Xuhui Wanke Center No. 9333 Hu Min Road Xu Hui District Shanghai, PRC 200235
Receiving bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	25/F, Block B China Railway Construction Plaza Chaoyang District Beijing, PRC
Principal place of business in Hong Kong	2206–19 Jardine House 1 Connaught Place Central Hong Kong
Company's website	www.lscx.com.cn *(the information contained in this website does not form part of this prospectus)*
Joint company secretaries	Mr. Lee Cheuk Wang *(Solicitor of the High Court of HKSAR)* 2206–19 Jardine House 1 Connaught Place Central Hong Kong Mr. Nie Jiang 5-6-262, No. 6 Wulidian West Road Tongzhou District Beijing, PRC
Authorised representatives	Mr. Lee Cheuk Wang 2206–19 Jardine House 1 Connaught Place Central Hong Kong Mr. Nie Jiang 5-6-262, No. 6 Wulidian West Road Tongzhou District Beijing, PRC

Audit Committee	Mr. Hu Hui *(Chairman)* Mr. Lu Yao Ms. Zheng Hong
Remuneration Committee	Mr. Lu Yao *(Chairman)* Mr. Hu Hui Ms. Zheng Hong
Nomination Committee	Mr. Zhao Libing *(Chairman)* Mr. Hu Hui Mr. Lu Yao Ms. Zheng Hong
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal banker(s) (in alphabetical order)	**Beijing Bank** Internet Financial Centre Branch No. 1 Danling Street Haidian District Beijing, PRC **China Merchants Bank** Wangjing Branch Ground Floor, Yard 1 No. 15 Nanhu South Road, Chaoyang District Beijing, PRC

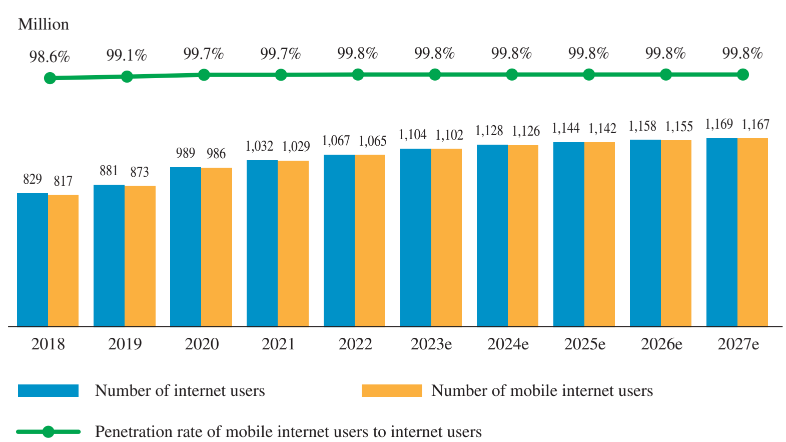
The information presented in this section is derived from various official government publications and other publications and from the iResearch Report which was commissioned by us, unless otherwise indicated. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, advisers or affiliates or any other party involved in the Global Offering (except for iResearch) and no representation is given as to its accuracy.

THE INTERNET MARKET IN CHINA

China's internet industry has been developing continuously in recent years. The internet continues to create new industry opportunities and connects more closely with people's lives. Although the growth rate of the number of internet users in China has slowed down in recent years, the overall internet penetration level in China is high and will further improve in the future.

According to China Internet Network Information Center ("**CNNIC**") and iResearch, in 2022, the number of internet users in China is approximately 1,067 million, the number of mobile internet users is approximately 1,065 million, the penetration rate of mobile internet users to internet users is 99.8%. As people rely more and more on smart phones and other smart devices, the penetration rate of mobile internet has been gradually increasing, nearly close to 100.0%. In addition, the use of resources on mobile apps permeates all aspects of daily life and mobile apps become important platforms for mobile online marketing.

Number of internet users and mobile internet users in China, 2018–2027e



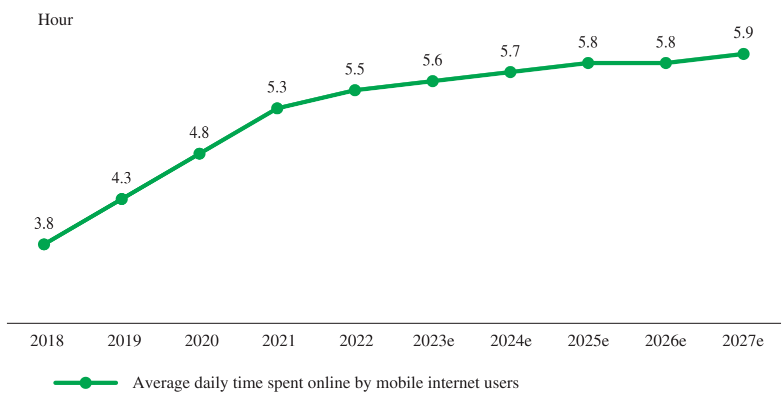
Source: CNNIC, iResearch

In recent years, with the maturity of mobile internet network construction, the average mobile internet user traffic cost in China has been declining, from RMB86 per Gigabyte (GB) in 2015 at a CAGR of approximately -39.3% to approximately RMB2.6 per GB in 2022, according to MIIT and iResearch. In addition, it is expected to further decrease from 2022 at a CAGR of approximately -6.1% to approximately RMB1.9 per GB in 2027. Mobile internet users can use the mobile internet at a lower cost, which has also stimulated the growth of mobile internet access traffic. Mobile internet traffic in PRC increased from approximately 4.2 billion GB in 2015 to approximately 261.8 billion GB in 2022 at a CAGR of approximately 79.1%. The decline in mobile internet costs, and the development of network infrastructure and 5G technology have continuously optimised the user experience of mobile internet and attracted more mobile internet users, which have created good user base for mobile internet marketing.

Average daily time spent online by mobile internet users in China

Mobile internet users in China spend more time online gradually. In 2022, the average daily time spent online by mobile users was approximately 5.5 hours in China, approximately 3.4% more than that in 2021. The COVID-19 pandemic and the rapid development of mobile information technology are the two core reasons for the increase. It is expected that there will be an increase in the average daily time spent online by mobile users in the future because of the continuous escalation of mobile terminal equipment before a saturation point is gradually reached.

Average daily time spent online by mobile internet users in China, 2018–2027e



Source: iResearch

IMPACT OF COVID-19 TO THE INTERNET MARKET

iResearch had also fully taken account of the mixed impacts brought by the COVID-19 to online marketing market into consideration in the assumptions regarding the market sizing forecast, including the following aspects:

- **More time spent on mobile devices.** During the COVID-19 pandemic, people spent less time outside in order to respond the "Social Distancing" regulation. Meanwhile, they studied, worked and sought for entertainment through online channels. Hence, average daily time spent online by mobile users has greatly increased.

- **Advertising shifted to online.** Under the influence of COVID-19, online office software, education and other online entertainment apps were thriving in 2020. To cope with limited offline exposure during COVID-19, some advertisers have adjusted marketing tactics and shifted advertising budget to online.

- **Some industries hit by COVID-19.** Because of the travel restriction and inconvenience of offline consumption, industries such as tourism, catering and lodging are vulnerable to COVID-19. The advertising budget from such industries may have decreased.

- **Marketing activities postponed to control budget.** Exposed to business operation pressure, some advertisers adopt a more conservative way to carry out advertising and tend to postpone certain marketing activities for the sake of controlling budget.

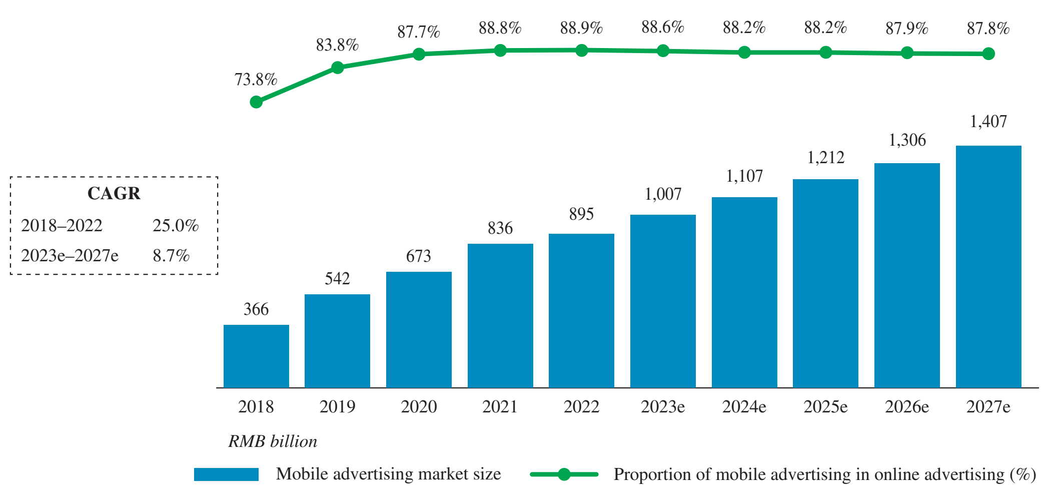
In summary, COVID-19 pandemic has not had material adverse impact on mobile advertising market in 2021 and the market size of mobile advertising in 2021 increased compared with that in 2020. In early 2022, the COVID-19 resurged across several regions in China, which exerted negative influence on economic activities and enterprise operation. Under such circumstances, some marketers tend to tighten the marketing budgets to some extent, and, thus, the growth in advertising industry slowed down in 2022. With the release of "10 New Measures" and the optimisation of epidemic prevention and control policy since December 2022, consumers will regain confidence and production capacity of enterprises will recover gradually. Therefore, it is expected that there will be an increase in demand for advertising and mobile advertising scale will expand further in 2023.

THE MOBILE ADVERTISING INDUSTRY IN CHINA

The market size of mobile advertising industry

Mobile advertising has a huge lead in online advertising industry. According to the iResearch Report, the market size of mobile advertising industry in China, as measured by total advertising gross billing, increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022 with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. With the popularity of mobile devices and user migration pattern across media platforms, the share of mobile advertising as a proportion of online advertising gradually increased. Mobile advertising industry accounted for approximately 88.9% of the online advertising industry in China in 2022 and it is expected to reach approximately 87.8% in 2027.

Market size of mobile advertising industry in China, 2018–2027e



Source: iResearch

Price of advertising space in the mobile advertising industry

Ad inventory refers to advertising space available on media platforms offered by media publishers. Each media publisher has its respective ad inventory pricing and bidding mechanism for each of its media platforms and such mechanism is not completely transparent. Media publishers generally control the bidding process for advertising space and they may place restrictions on the use of advertising space. Advertisers generally compete with each other to bid for high quality advertising space on media platforms with high content quality and large user base in order to achieve maximum exposure. The price of advertising space on media platforms varies. Top media publishers which operate various media platforms with high content quality and large user base generally have more bargaining power over advertisers. In the past few years, the mobile advertising industry in the PRC experienced rapid expansion. There was a growth in the price of advertising space possessed by top media publishers as advertisers had strong advertising needs and high quality advertising space were limited. It is expected that the growth in the mobile advertising industry will be moderate and the pricing and bidding mechanism will become stabilised and mature and, thus, the increase in the price of advertising space will slow down or remain relatively stable. It is a common market practice that any increase in the price of advertising space purchased by mobile advertising service providers would be passed on to advertisers or be borne by the advertisers in full.

The value chain of mobile advertising industry

The value chain of PRC mobile advertising industry mainly involves 5 main players, namely advertisers, mobile advertising service providers, content creators, media platforms and consumers.

- **Advertisers:** A person or business that promotes its brands, products and services through advertising activities.

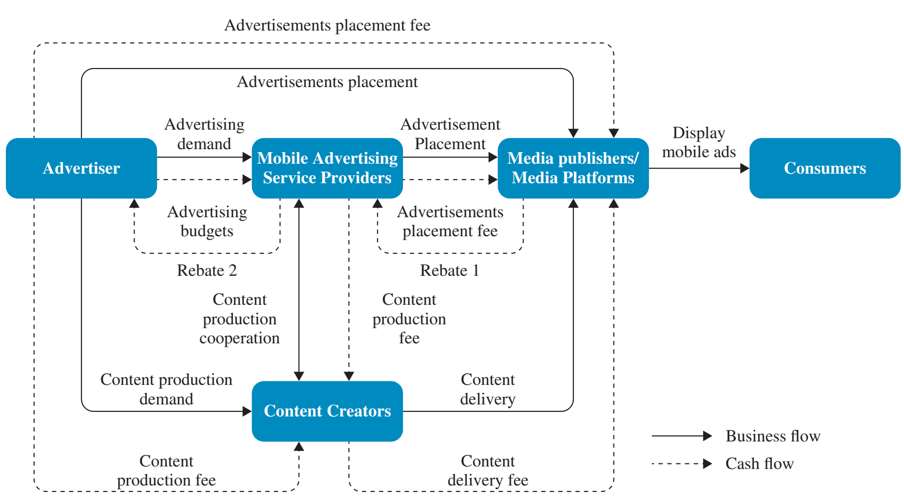
- **Mobile advertising service providers:** Mobile advertising service providers are the bridge linking advertisers and media platforms. They have established close relationship with top media platforms and are equipped with rich industry experience, which can help advertisers optimise advertising strategies and improve marketing efficiency. In addition to advertising placement services, some of them also provide creative design, advertising strategies, data analysis and other related services. Mobile advertising service providers usually provide both mobile advertising solutions services and advertisement distribution services. To enhance their competitiveness in the mobile advertising industry, they would generally expand their capacities to provide value-added services to advertisers.

- **Content creators:** A person or business that produce ad contents, whose service scope generally cover animated graphics and texts production, short video filming and etc. Depending on the business needs, advertisers may create the content directly or appoint mobile advertising service providers to serve as content creators.

- **Media platforms:** A system of platform for disseminating information over the mobile internet, including social media, search engines, e-commerce platforms, news portals and app stores, etc. Advertising is an important approach for media platforms to monetise traffic.

- **Consumers:** A person or business that perceive advertising activities and may purchase goods or services.

The Value Chain of mobile advertising industry in China



Source: iResearch

Competitive landscape of internet media platforms

According to the iResearch Report, the top internet enterprises takes up the major market share in mobile online advertising industry. In terms of the top 5 internet enterprises (Alibaba, ByteDance, Pinduoduo, Tencent and Baidu), their advertising revenue has occupied over 75% of online advertising industry in China in 2022. The industry market of media publishers is highly concentrated. As the online advertising industry continue to develop, it is estimated that the traffic source and advertising revenue will be more concentrated on the top internet enterprises and their market share in the industry will be higher in the future. Therefore, (i) it is common for mobile advertising service providers in the PRC to acquire advertising space for placement of mobile ads from a few operators of online media platforms; and (ii) it is common for media publishers to be customers when they have the marketing needs to promote their brands, products, and/or services on other online media platforms.

Value of mobile advertising service providers

It is uncommon and not economically efficient for top media platforms to transact with advertisers directly, as (i) compared to acquisition of advertising space from top media platforms, advertisers are in greater need of value-added services provided by online marketing solutions providers, such as creative planning of ad campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness; while media platforms generally do not offer such value-added services as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve desired results; and (ii) to monetise user traffic is more economically efficient than to provide value-added services and is currently the primary monetisation method for media platforms. In short, mobile advertising service providers generally provide more services to advertisers than media platforms and monetise advertising inventories of media platforms in a more efficient manner.

Media publishers usually engage mobile advertising service providers on advertising space distribution, for the purpose of saving cost, so that they do not need to maintain a large team of manpower to handle placement requests from the advertisers. Generally, advertisers choose to engage mobile advertising service providers, which can place mobile ads or liaise with media publishers directly, owing to the discounts and add-on services offered by the mobile advertising service providers.

THE IN-FEED ADVERTISING

Mobile advertising service providers generally provide mobile ads displayed in different forms and in-feed advertising is one of the major types of mobile ads. In-feed refers to a new way of displaying content, and in-feed advertising refers to the mobile ads appearing in the information flow content. In-feed ads do not disturb the user experience on the media platforms and are effective for advertisers to market their brands, products and services. Users can continuously obtain information through sliding down on the screen when viewing the content of the mobile platforms. According to the form of content in in-feed, it can be divided into text and image in-feed and short video in-feed. In-feed content is integrated seamlessly in the content of the feeds of an app or website, or consistent with the components of the app or web interface. The user can browse to the advertising space in a fixed position by constantly refreshing the information flow content. Mobile advertising service providers with capacities for production of ad contents, which are attractive and creative, can enhance the user experience on the media platforms and can meet marketing goals of their customers in an effective manner. The commonly used pricing model of in-feed advertising is CPM and CPC.

In-feed advertising generally in the form of text, image and/or short video. According to the iResearch Report, short videos have become a major content form of in-feed advertising due to the easy access and attention catching content of short videos. In-feed advertising in the form of short video has gained great popularity among audiences and advertisers, and has become a major form of entertainment. Compared to texts and images, short videos are intrinsically (i) able to convey more abundant and diversified content; (ii) easier to capture the attention of internet users and more memorable, enabling internet users to retain more information from the video content; and (iii) more engaging, enhancing internet users' social interaction and driving more user traffic.

Key drivers of the mobile advertising industry in China

The mobile advertising industry and in-feed advertising in China are expected to continue its growth and such expectation is determined by several key drivers as set out below:

- **Growing number of mobile users.** According to CNNIC, as of December 2022, the number of mobile internet users in China has exceeded 1 billion. The increasing penetration rate of mobile internet users shows that internet users are gradually migrating to the mobile devices. Internet users' browsing behaviours and consumption habits have been reshaped in the mobile era.

- **Rising marketing needs.** The role of advertising is diversified. In face of industry competition and marketing needs, advertising can assist advertisers to build brand awareness, acquire new customers, retain existing customers and particularly achieve business growth. The rising marketing demand boosts the development of the advertising industry. Further, as advertisers show increasing preference on in-feed contents, their needs for in-feed advertising also increase. From strategic advice to data monitoring, every procedure of short video advertising contains large potential business opportunities, thus motivates the development of short video ad service.

- **Expanding monetisation demand.** The media platforms meet mobile users' needs and accumulate user traffic through differentiated contents and scenes. Since advertising is an important commercialisation approach for various media publishers of media platforms, they strive to optimise placement of mobile ads and improve user interaction based on different scenarios.

- **Technological innovation and application of advanced technologies.** With the development of 5G and VR (virtual reality) technology, the application of technology in advertising industry has become more and more extensive and flexible. Technology innovation makes advertising activities more immersive and efficient, enhances customers' viewing experience and improves advertisers' ROI. Moreover, the application of advanced technologies will also drive the demand for in-feed ads. The application of 5G technology and infrastructure will improve in-feed user experience, diversify in-feed presentation forms and advance the technology development of in-feed. In particular, big data analytics are able to optimise ad performance on a real-time basis and improve the marketing efficiency. AR (augmented reality) is able to provide more vivid visual effects and improve the immersive and interactive user experiences for the in-feed ads. AI (artificial intelligence) is able to achieve accurate audience profiling through deep learning and help advertisers precisely target and reach the types of audiences best suited in the ad campaigns. All of the abovementioned advanced technologies help stimulate target consumers' desires to spend and maximise the rate of return of the advertising spending of advertisers, which in turn further expands the use of in-feed ads for advertising.

- **User demand of in-feed content.** In the era of mobile internet, the user's content consumption habits are more fragmented since new forms of media capture attention of consumers. The short and convenient in-feed content better meets the needs of mobile users. Therefore, the demand of mobile user for in-feed content promotes the rapid development of in-feed advertising.

- **Commercialisation of in-feed advertising platforms.** The growth of in-feed advertising platforms has entered into a steady development phase and in-feed advertising platforms are motivated to commercialise their products and services. The in-feed advertising platforms monetise their user traffic by offering advertising space to advertisers, which brings immense business opportunities for advertising service providers with a focus on in-feed advertising.

Barriers to entry of the mobile advertising industry in China

New entrants with a focus on in-feed advertising of the mobile advertising industry in China face the following entry barriers:

- **Media resources.** Media resources are essential to mobile advertising service providers and the main reasons are as follows: (a) media publishers of the top media platforms generally have larger user base, mature advertising ecology and higher internet exposure; and (b) establishment of long-term and stable partnerships with the media platforms helps advertising service providers to keep abreast of media platforms' advertising policies, attract advertisers and achieve performance growth. New advertising market entrants may lack in media resources and industry knowledge and experience.

- **Service and in-feed advertising optimisation capabilities.** The business scope and service are also one of the entry barriers in mobile advertising market. Currently, types of advertisers are increasingly abundant and complicated, including multiple dimensions such as creative ad design, ad display, data analysis and so on. Mobile advertising service providers that can cover integrated services and with a focus on in-feed advertising are supposed to capture more market shares. In-feed ads is one of the major types of mobile ads. One of the characteristics of in-feed content is personalised push, and users can obtain content according to their own interests and preferences. It also requires a lot of in-feed personalised advertising optimisation to recommend in-feed advertising to more appropriate users in in-feed content. Therefore, in-feed advertising service providers with more professional in-feed advertising optimisation team and rich experience in in-feed advertising optimisation will have greater barriers to competition.

- **Capital reserve.** Advertising service providers with sufficient funds may attract advertisers to cooperate as they can appropriately extend the billing periods for them. At the same time, funds can be invested in talent recruitment, research and development and other programmes that are beneficial to the prospects of the advertising service providers.

- **Content production and advertising creative ability.** When advertisers carry out in-feed advertising activities, they usually need to produce a large number of content materials and advertising creativity. Therefore, in-feed content production and advertising creative ability are also important competitive barriers for advertising service providers with a focus on in-feed advertising.

- **Technology barriers.** Proprietary technologies, including AI and big data analytics capabilities, are essential for the provision of precise advertising solutions. Data analysis will assist advertising service providers to better serve advertisers and formulate development strategies. In addition, reliable technology infrastructure serves as the foundation for launching and managing large scale ad campaigns in real-time, which cannot be replicated by new market entrants in a short period of time.

Risk and threats of the mobile advertising industry in China

Market players with a focus on in-feed advertising in the mobile advertising industry in China may face the following risk and threats as set out below:

- **Partnership with media platforms.** Generally speaking, the framework agreement between media platforms and mobile advertising service providers is signed/renewed on an annual basis. Advertisers prefer top media channels as those media channels accumulate huge traffic and have large user bases. Therefore, if the partnership relationship with media platforms changes, mobile advertising service providers may face higher churn rate.

- **Application of technology.** The application of technology in advertising industry continues to deepen. If mobile advertising service providers fail to seize the opportunities of technological innovation or improve their own technical capabilities, it will affect their service quality in the long run.

- **Macroeconomic situation.** China's mobile advertising development is inextricably linked to macro-economy. If downward pressure on PRC and global economy increases, advertisers' business operations will be negatively affected and advertising budgets tend to shrink. From another prospective, spending willingness and power of consumers will decline under economy fluctuation.

- **Policy risk.** Policies on the advertising industry, media or mobile operating system will directly impact mobile advertising service providers and advertisers. For instance, IDFA (Identifier for Advertising), which is an anonymised device identifier assigned by Apple to a user's device, is used to track data such as user behaviours for the purpose of ad targeting, personalisation and measurement. Under new policy, IDFA will be turned off unless getting express authorisation. This policy leads to low opt-in rate and affects mobile ads targeting to some extent. National Press and Publication Administration released the rule that requires online game enterprises to impose time limits on minors and tighten the examination of game contents. In addition, online game account trading services are prohibited for underage gamers.

- **Cashflow mismatch.** There may be timing mismatch between the payments for advertising space to media partners and the receipt of payments from customers. Such timing mismatch may expose the mobile advertising service providers to liquidity issue and credit risk.

Competitive landscape

China's mobile advertising industry experienced rapid growth and have achieved solid growth in the market size in recent years. To enrich advertisers' needs, it is expected that mobile advertising service providers will tend to expand their business and provide one-stop mobile advertising solutions services, including traffic acquisition, ad contents creation and production, ad placement and data analysis. Additionally, mobile advertising service providers with established relationship with media partners, strong service and production capacities and sufficient capital reserve capabilities are expected to maintain their market position and are in the better position to capture development opportunities in the foreseeable future.

According to the iResearch Report, the mobile advertising market is fragmented and competitive with the 5 largest players accounting for approximately 9.6% of market share in terms of gross billing in 2022. We are one of the service providers in the mobile advertising industry in China with a market share of approximately 0.1% in terms of gross billing in 2022.

Top 5 advertising service providers in terms of gross billing in mobile advertising industry in 2022

Ranking	Company	Gross billing, 2022 *(approximately RMB billion)*	Market share	Background	Listing status
1	Beijing Yunrui International Culture Media Co., Ltd.* (北京雲銳國際文化傳媒有限公司) *(Note 1)*	25	2.8%	It is a member of a leading media communications service group in the PRC that provides one-stop integrated marketing services	Non-listed
2	Xia Ke Xing (Shanghai) Advertising Co., Ltd.* (俠客行 (上海) 廣告有限公司) *(Note 1)*	17	1.9%	It is a fast-growing digital advertising company that provides marketing services in the PRC	Non-listed
3	Beijing Aspiration Internet Technology Co., Ltd.* (北京派瑞威行互聯技術有限公司) *(Notes 1&2)*	16	1.8%	It is a digital advertising services provider with business covering advertising, creative services, live stream marketing and etc., in the PRC	It is a subsidiary of Zhewen Interactive Group Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600986)
4	Shanghai Cue Co., Ltd (上海開域信息科技有限公司) *(Note 1)*	15	1.7%	It delivered digital services and solutions such as digital marketing for customers' business	Non-listed

Ranking	Company	Gross billing, 2022 *(approximately RMB billion)*	Market share	Background	Listing status
5	UJU Holding Limited	12	1.4%	It provides one-stop cross-media online marketing solutions, in particular online short video marketing, in the PRC	The shares of this company is listed on the Stock Exchange (stock code: 1948)
—	Our Group	0.8	0.1%	See "Business" in this prospectus	—

Notes:

1. The information on gross billing is not publicly available information and was obtained by iResearch through their interviews.

2. The information on gross billing is not available in the annual report of Zhewen Interactive Group Co., Ltd. and is different from the amount of revenue disclosed in its annual report.

Source: iResearch

Competitive advantages of our Group

For a detailed discussion of our Group's competitive strengths, see "Business — Competitive strengths" in this prospectus.

Future trends of the mobile advertising industry in China

The mobile advertising industry and in-feed advertising in China are expected to be influenced by the following trends:

- **Marketing SaaS.** Marketing SaaS refers to providing marketing services to advertisers in the form of SaaS. Marketing SaaS covers a wide range of services, including Strategic & Insight, Content & Creative, Media & Ads and Customer Management. The advantages of marketing SaaS platforms are as follows: (1) greatly improve campaign efficiency; (2) reduce resource consumption; (3) accumulate vital data assets; (4) gain better transparency and instant feedback from campaigns; and (5) support marketing strategy optimisation.

- **Advertising industry compliance.** The implementation of the Personal Information Protection Law (《中華人民共和國個人信息保護法》) regulates personal information processing and guarantees the safety of personal information and data. Under advertising ecology, personal information should be handled in the manner of "express notification-consent". Also, using personal information for automated decision making should not apply unreasonable treatment to individuals in terms of transaction prices and other conditions. In the long run, industry chain main players will jointly promote the healthy development and compliance of advertising industry.

- **In-depth advertising service.** With the enrichment of advertisers' needs, advertising service providers tend to expand their business and provide one-stop mobile advertising solution services, including but not limited to traffic acquisition, advertising contents creation and production, advertising placement and data analysis. It is a trend in advertising market that mobile advertising service providers also serve as content creators. Based on the industry knowledge and service experiences of advertising service providers, they will continuously enhance technical capability, modify advertising strategies and provide more personalised and in-depth services for advertisers in different industries.

- **Short video becomes the main content form for in-feed advertising.** The most common forms of in-feed advertising are text, image and short video. With the increase of internet speeds and the formation of users' short video reading habits, in-feed content will gradually take short video content as the main presentation mode in the future.

- **Full cycle service capability.** In order to meet evolving needs of advertisers, mobile advertising service providers with a focus on in-feed advertising tend to provide full cycle advertising services, including traffic acquisition, production of ad creatives, precise targeting and data analysis, rather than acting as an intermediary, which only provides advertisement distribution services.

- **Establishment of in-house content production team.** Content production capability is a key factor that differentiates in-feed advertising service providers as the attractiveness of quality ad contents contributes to the success of ad campaigns. Especially short video streaming advertising, it is expected that an increasing number of advertising service providers with a focus on in-feed ads in video format will establish in-house content production team to diversify and strengthen their service offerings.

- **Development of data technologies.** Data assets are critical to advertising service providers. With data analytics technologies, in-feed advertising service providers are able to collect, monitor and analyse data assets to obtain valuable insights and evaluate the performance of ad campaigns. This allows both advertisers and in-feed advertising service providers to adjust and implement marketing strategies more accurately.

SOURCE OF INFORMATION

Industry report from iResearch

We have commissioned iResearch, an Independent Third Party, to conduct a research on the online marketing industry in the PRC and to prepare the iResearch Report at a total fee of RMB580,000. Founded in 2002, iResearch is an independent provider of online user data and consumer insights in China. Headquartered in Beijing and Shanghai, iResearch has a management team with over 600 employees worldwide and has accumulated extensive experience in researching and monitoring the development of the internet industry in the PRC.

Methodology

Data for the iResearch Report on market size and online users is mainly obtained through interviews with industry participants, marketing surveys, secondary sources and other research methods. Due to the limitations of such research methods, sample and size and scope of data collection, such data may not precisely reflect actual market conditions.

Assumptions and parameters

iResearch has prepared the iResearch Report on the assumptions that (i) the global and China's social, economic and political environments will remain stable during the period from 2023 to 2027, which will ensure a sustainable and steady development of online marketing industry; (ii) the data quoted from authoritative agencies remains unchanged; (iii) the revenue-sharing arrangements among the market participants follow market standards; and (iv) there is no abrupt changes to the law and regulations of the mobile advertising industry in the PRC. iResearch believes that the basic assumptions used in preparing the iResearch Report, including those used to make future projections, are correct, reasonable and not misleading. iResearch has independently analysed the information obtained from its research, but the findings contained in the iResearch Report largely rely on the accuracy of the information collected.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the iResearch Report, and other reliable sources such as various official government and other publications. After making reasonable inquiries, our Directors confirm that there has been no adverse change in the market information presented in the iResearch Report since the date of its issuance which may materially qualify, contradict or impact the information in this section.

This section summarises the most significant laws, regulations, and rules that affect and govern our current major business activities and operation in the PRC.

LAWS AND REGULATIONS RELATING TO ADVERTISING BUSINESS

Advertising

Advertising activities in the PRC shall be subject to the Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") which was promulgated by the National People's Congress Standing Committee (the "**SCNPC**") on 27 October 1994 and was last amended on 29 April 2021 and the Regulations on Administration of Advertisement (《廣告管理條例》) which was promulgated by the State Council on 26 October 1987 and became effective on 1 December 1987. According to the Advertising Law, the advertisers refer to the natural persons, legal persons or other organisations that, for the purpose of marketing products or services, design, produce and publish advertisements either by themselves or by commissioning others to do so. The advertising operators refer to the natural persons, legal persons or other organisations that on a commission basis provide advertisement designing, production and agent service. The advertisement publishers refer to the natural persons, legal persons or other organisations that publish advertisements for advertisers or advertising operators commissioned by advertisers.

An advertisement shall not contain any information that is false or causing misunderstanding, and shall not deceive or mislead consumers. Advertisers shall be responsible for the authenticity of the contents of their advertisements. An advertisement shall not involve any of the following circumstances: (1) using or using in a disguised manner the national flag, the national anthem, the national emblem, the army flag, the military song or army emblem of the PRC; (2) using or using in a disguised manner the names or images of the State organs or their functionaries; (3) using words such as the State-level, the highest-grade or the best; (4) impairing the dignity or interests of the State or disclosing the secrets of the State; (5) hindering social stability or harming public interests; (6) endangering the safety of the person or property, or disclosing personal privacy; (7) hindering the public order or violating the sound social morals; (8) having information suggesting pornography, eroticism, gamble, superstition, terror or violence; (9) carrying information of ethnic, racial, religious or sexual discrimination; (10) hindering the protection of environment, natural resources or cultural heritage; or (11) other circumstances prohibited by laws or administrative rules and regulations. In addition, an advertisement shall be readily identifiable. Where any law or regulation requires any content to be indicated expressly in an advertisement, such content shall be prominently and clearly indicated.

An advertising operator or an advertisement publisher shall, in accordance with relevant provisions of the State, establish and perfect a system of acceptance registration examination and verification, and record management for advertising business. An advertising operator or an advertisement publisher shall check relevant supporting documents and verify the contents of advertisements in accordance with laws and administrative rules and regulations. For an advertisement with untrue information or incomplete supporting documents, the advertising operator shall not provide designing, production and agent service, and the advertisement publisher shall not publish such advertisement. With respect to the publish of the advertisements for medical treatment, pharmaceuticals, medical devices, agricultural pesticides, veterinary drugs or health food, or other advertisements subject to examination as provided by laws or administrative rules and regulations, the relevant departments shall, prior to the publishing, examine the contents of such advertisements; in the absence of such examination, such advertisements shall not be published.

For those who violating the Advertising Law, they may be subject to punishment, including but not limited to a fine up to RMB2 million or ten times of the advertising fee, confiscating advertising fees, suspension of advertisement publishing business, revocation of business licence, or revocation of registration certificates for advertisement publishing.

Internet advertising

On 25 February 2023, the SAMR promulgated the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), which became effective on 1 May 2023 and the Interim Administrative Measures for Online Advertising (《互聯網廣告管理暫行辦法》) issued under the Order of the (former) State Administration for Industry and Commerce No. 87 on 4 July 2016, was abolished simultaneously.

Pursuant to the Administrative Measures for Online Advertising, commercial advertising activities conducted within the territory of the PRC to directly or indirectly promote a product or service through text, images, audio, video, or any other form, using any website, web page, web application, or other online media, shall be governed by such measures and the Advertising Law.

An advertising agent or advertising publisher shall establish, improve and implement systems for the receipt and registration, moderation, file management in respect of their online advertising business. Furthermore, advertising agents and advertising publishers shall cooperate, in accordance with the law, with the investigation of the online advertising industry conducted by market regulatory authority, and provide truthful, accurate, and complete information in a timely manner.

The Administrative Measures for Online Advertising further provides that an online ad shall be identifiable so that it can be clearly identified by consumers as an advertisement. Any paid search ad for a product or service shall be prominently indicated as an ‘‘advertisement’’ by the advertising publisher to distinguish it from natural search results. When publishing an online ad in forms such as in pop-up form, the advertiser and the advertising publisher shall prominently display a close symbol to ensure that it can be closed in one click. It is prohibited to deceive or mislead users into clicking or browsing an ad through certain means.

For those who violating the Administrative Measures for Online Advertising, they may be subject to punishment, including but not limited to fines, confiscating advertising fees, suspension of advertisement publishing business, or revocation of business licence.

DEVELOPMENT ON ADVERTISING INDUSTRY

On 26 February 2014, the State Council promulgated the Several Opinions of the State Council on Promoting the Integration Development of Cultural Creativity, Design Services and Related Industries (《國務院關於推進文化創意和設計服務與相關產業融合發展的若干意見》). The key work including strengthen advertising marketing and planning, increase the cultural connotation and added value of consumer products, improve the brand value system. On 22 April 2022, the SAMR promulgated the Plan for the Development of the Advertising Industry during the "14th Five-Year Plan" Period "十四五" 廣告產業發展規劃 (the "**Plan**"), which promotes the high-quality development of the advertising industry. The Plan includes development environment, guiding ideology, basic principles and development goals, key tasks, organisation and implementation and so on. Otherwise, on 30 October 2019, the Catalogue for Guiding Industry Restructuring (2019 Edition) (《產業結構調整指導目錄(2019年本)》) was promulgated by the NDRC and amended on 30 December 2021, according to which advertising creativity, advertising planning, advertising designing, advertising production, advertising agency and advertising publishing were categorised as encouraged industry.

LAWS AND REGULATIONS RELATING TO THE PROTECTION OF CYBER SECURITY, DATA AND PRIVACY PROTECTION

On 28 May 2020, the National People's Congress approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which has come into effect on 1 January 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organisation or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which was promulgated on 7 November 2016 and came into effect on 1 June 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasises that any individuals and organisations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations. Any violation of the provisions and requirements under the Cyber Security Law may subject an internet service provider to rectifications, warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of qualifications, closedown of websites or even criminal liabilities.

The Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") was passed by the SCNPC on 10 June 2021 and came into effect on 1 September 2021. The Data Security Law requires the data processor to establish and improve a whole-process data security management system, organise data security education and training, and take corresponding technical measures and other necessary measures to safeguard data security. In conducting data processing activities by using the internet or any other information network, the data processor shall perform the above data security protection obligations on the basis of the hierarchical cybersecurity protection system. Any violation of the provisions and requirements under the Data Security Law may subject a data processor to rectifications, warnings, fines, suspension of the related business, revocation of licences or even criminal liabilities.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was passed by the SCNPC on 20 August 2021 and has come into effect on 1 November 2021. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual's consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfil statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; (vi) the personal information that has been made public is processed within a reasonable scope in accordance with this Law; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licences, being entered into the relevant credit record or even criminal liabilities. As advised by our PRC Legal Adviser, the collection of data through our Group's self-developed platform for analysing the responses of mobile users and performance data of mobile ads are not subject to the Personal Information Protection Law on the basis that personal information under the Personal Information Protection Law refers to any kind of information related to an identified or identifiable natural person which is recorded in electronic form or other manners, and the data we can obtain and analyse does not contain any information which enable us to identify a specific natural person as mobile user.

Pursuant to the Announcement of Launching Special Crackdown against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》) that was issued and took effect on 23 January 2019, the App operators shall check whether their privacy policies include the elements that are required to be disclosed to the users. On 28 November 2019, the Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》) was issued, which provides a reference for the supervision and management department to determine that Apps collect and use personal information in violation of laws and regulations, and provide guidance for App operators to self-check and self-correct and social supervision of netizens.

The CAC tested part of the prevalent Apps on their compliance with collection and use of personal information rules and issued a series of notices on illegal collection and use of personal information by those Apps, including the Notice on the Illegal Collection and Use of Personal Information by 33 Apps Such As 'IME' (《關於輸入法等33款App違法違規收集使用個人信息情況的通報》) on 1 May 2021, the Notice on the Illegal Collection and Use of Personal Information by 84 Apps Such As 'Tencent Mobile Manager' (《關於騰訊手機管家等84款App違法違規收集使用個人信息情況的通報》) on 10 May 2021, the Notice on the Illegal Collection and Use of Personal Information by 129 Apps Such As 'Keep' (《關於Keep等129款App違法違規收集使用個人信息情況的通報》on 11 June 2021 and so on. Such notices restrict media platforms' capabilities to collect users' details and behaviours on their app platforms. The categories of app targeted in this notice include, among others, fitness, online shopping, education, dating and app store. This notice aims to enhance the CAC's scrutiny of the data collection use policy of leading technology companies so as to prohibit them from infringing the app users' personal information and their privacy. Operators of Apps listed in those notices were required to rectify those illegal behaviours within a prescribed time limit and report rectification results to the CAC.

According to the Regulations for the Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which are promulgated by the State Council on 30 July 2021 and became effective on 1 September 2021, "critical information infrastructures" refer to important network facilities and information systems in important industries including public communications and information services, as well as those that may seriously endanger national security, national economy, people's livelihood, or public interests in the event of damage, loss of function, or data breach. The Regulations for the Security Protection of Critical Information Infrastructure also states that the relevant government authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth therein and further identifying the critical information infrastructure in the related industries in accordance with such rules. The relevant authorities must also notify operators of the determination as to whether they are categorised as critical information infrastructure operators. On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**New CAC Measures**"), which came into effect on 15 February 2022 and would repeal the previous version promulgated on 13 April 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. The New CAC Measures further elaborates the factors to be considered when assessing the national security risks of the relevant activities, including, among others, (i) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country; and (ii) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments after listing abroad.

In addition, on 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulation**") was proposed by the CAC for public comments. According to the Draft Regulation, these measures shall be applicable to such activities as the collection, storage, transmission, processing and use of data as well as the protection, supervision and administration of data security within the territory of the PRC. The Draft Regulation reiterate that data processors which process the personal information of at least 1 million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the Draft Regulation further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganisation or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. Any failure to comply with such requirements may lead to, among others, suspension of services, fines, revoking relevant business permits or business licences and penalties. However, the Draft Regulation provides no further explanation or interpretation for "affects or may affect national security", and there is substantial uncertainty as to its eventual introduction and entry. The exact scope of "affects or may affect national security" under the Draft Regulation and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. The Draft Regulation also requires data processors to be responsible for the security of the data processed and perform data security protection obligations. As our Group processes data received from our media partners, such as behaviour data of mobile users and ad performance data, our Group may be subject to the Draft Regulation, if implemented in its current form. The Draft Regulation (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty. We cannot determine whether the Draft Regulation could put an adverse impact on us upon enactment. Further details, see "Business — Cyber data security" in this prospectus.

We have put in place appropriate internal procedures to safeguard the information and data obtained by us including prevention of unauthorised access and regular review of system security and data cleaning. For details regarding our measures in ensuring the information security, see "Business — Risk management and internal control — Information technology risk management" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not engaged in the businesses relating to cyber security or collecting personal information. We rely on our media partners' platforms to collect online ad performance data for optimising our mobile advertising solutions. If such regulations were implemented on our media partners' platforms, it may indirectly affect our business and financial performance.

COMPANY LAW AND LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Companies established and operating in the PRC shall be subject to PRC Company Law, which was promulgated by the SCNPC on 29 December 1993, newly amended on 29 December 2023 and will become effective on 1 July 2024. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. Unless otherwise provided in the PRC foreign investment laws, the provisions in the PRC Company Law shall prevail. The PRC Company Law stipulates that a limited company shall prepare a shareholders' register, which shall record the following matters: (1) The name and address of each shareholder; (2) The capital contribution made by each shareholder; and (3) The serial number of each capital contribution certificate. The shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register each shareholder's name and its capital contribution at the company registration authority. The company shall carry out the amendment of the registration in the event of any change in the registered details. Any registration detail that fails to be amended or registered shall not be valid against any third-party.

On 15 March 2019, the National People's Congress approved the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**"), which came into effect on 1 January 2020 and replaced three existing laws on foreign investments in the PRC, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》). On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》). The FIL embodies a predictable PRC regulatory trend to rationalise its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the PRC's corporate legal requirements for both foreign and domestic invested enterprises. The FIL establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

On 30 December 2019, the MOFCOM and the SAMR issued the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which became effective on 1 January 2020. According to the Measures on Reporting of Foreign Investment Information, foreign investors or foreign investment enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System and the National Enterprise Credit Information Publicity System. Foreign investment enterprises shall also submit the annual report for the preceding year during 1 January to 30 June annually through the National Enterprise Credit Information Publicity System.

The Catalogue of Industries for Encouraged Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalogue**") was jointly promulgated by the NDRC and the MOFCOM on 26 October 2022 and it came into effect on 1 January 2023. The Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**") was jointly promulgated by the NDRC and the MOFCOM on 27 December 2021 and took effect on 1 January 2022. The Encouraging Catalogue and the 2021 Negative List categorises the industries into 3 categories, including "encouraged", "restricted", and "prohibited" (all industries that are not listed under one of "encouraged", "restricted" or "prohibited" categories are deemed to be "permitted"). The Encouraging Catalogue and the 2021 Negative List is subject to review and update by the Chinese government from time to time. According to the Encouraging Catalogue and the 2021 Negative List, our Company's business does not fall into such categories in which foreign investment is encouraged, restricted or prohibited.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

Pursuant the FIL, foreign investors, according to the present PRC Law, may freely remit into or out of the PRC, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of PRC. In addition, pursuant to the PRC Company Law, a wholly foreign-owned enterprise in PRC must set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reach 50% of its registered capital. These reserve funds, however, may not be distributed as cash dividends.

LAWS AND REGULATIONS RELATING TO LEASING PROPERTY

Pursuant to the Law of the PRC on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on 5 July 1994 and last amended on 26 August 2019 and effective on 1 January 2020, in the lease of a house, the lessor and the lessee shall conclude a written lease contract defining such matters as the term, purpose and price of the lease, liability for repair, as well as other rights and obligations of both parties. They shall register the lease contract with the department of housing administration for the record. Pursuant to the Administrative Measures on Commodity Housing Leasing (《商品房屋租賃管理辦法》), issued by Ministry of Housing and Urban-Rural Development on 1 December 2010 and became effective on 1 February 2011, without the mentioned registration above, the lessor and the lessee may be imposed a fine by the development (real estate) department.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise income tax ("EIT")

In accordance with the EIT Law (promulgated on 16 March 2007 and became effective from 1 January 2008 and newly amended on 29 December 2018) and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (promulgated on 6 December 2007 and became effective from 1 January 2008, and revised on 23 April 2019), enterprises are classified as either "resident enterprises" or "non-resident enterprises". The "resident enterprises" are defined as enterprises set up in the PRC under the PRC laws or set up according to the foreign country/region's law whereas whose actual or de facto control is administered from within the PRC. Enterprises established under the foreign country/region's law with "de facto management bodies" outside the PRC, but have set up institutions or establishments in the PRC or, without institutions or establishments set up in the PRC, have income originating from the PRC, shall be considered as "non-resident enterprises". A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A non-resident enterprise that has establishments or places of business in the PRC shall pay EIT on its income originating from the PRC obtained by such establishments or places of business, and on its income which deriving outside PRC but has an actual connection with such establishments or places of business, at the EIT rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or it has an establishment or place of business in the PRC but the income has no actual connection with such establishment or place of business, shall pay EIT on its passive income derived from the PRC at a reduced rate EIT of 10%.

According to the EIT Law, high-tech enterprises to which the State need to give key support are given the reduced enterprise income tax rate of 15%. Announcement of the State Administration of Taxation on Issues concerning the Implementation of Preferential Income Tax Policies for High-tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) further provides that after being accredited as a high-tech enterprise ("**HTE**"), an enterprise shall be entitled to tax incentives from the year of the accreditation as indicated on its HTE certificate. Pursuant to the Administrative Measures for the Accreditation of High and New-Tech Enterprises (《高新技術企業認定管理辦法》) came into effect on 1 January 2016, HTE certificate is valid for 3 years.

According to the Notice on Preferential Enterprise Income Tax Policies for the Two Special Economic Development Zones in Khorgos, Kashgar, Xinjiang (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》), which was issued by the MOF and the SAT on 29 November 2011 and came into effect on the same day, from 1 January 2010 to 31 December 2020, the newly opened enterprises that fall into the Catalogue of Preferential Enterprise Income Taxes for Encouraged Industries in Difficult Areas in Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》) ("**the Catalogue**") shall be exempted from enterprise income tax for 5 years starting from the tax year of the first production and operating income.

Dividend withholding tax

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends declared to investors that are ''non-resident enterprises'', and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have such establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdictions in which our foreign shareholders reside.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the ''**Double Tax Avoidance Arrangement**''), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent tax authority in the PRC to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a mainland China resident enterprise may be reduced to 5% upon receiving approval from the in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the ''**Notice No. 81**'') issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on Notice of the SAT on How to Understand and Determine the ''Beneficial Owners'' in Tax Agreements (《國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知》) (the ''**Notice No. 601**''), issued on 27 October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognised as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. On 3 February 2018, SAT issued the Announcement of the SAT on Issues Relating to ''Beneficial Owner'' in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which became effective on 1 April 2018 and ''the Notice 601'' was repealed simultaneously. The Announcement of the SAT on Issues Relating to ''Beneficial Owner'' in Tax Treaties stipulates issues relating to the determination of ''beneficial owner'' status in clauses of tax treaties on dividends, interest, and royalties.

Value-added tax (''VAT'')

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the ''**VAT Regulations**'') (promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and newly amended on 19 November 2017), and The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) (promulgated by the MOF and was last amended on 28 October 2011 and came into effect on 1 November 2011), organisations and individuals engaging in the sale of goods or processing, repair and assembly services, the sale of services, intangible assets, immovables and importation of goods in the PRC shall be taxpayers of VAT, and shall pay VAT pursuant to the VAT Regulations. The amount of VAT payable is calculated as ''output VAT'' minus ''input VAT''. Pursuant to the VAT Regulations, the rate of VAT is 17% for those engaging in the sale of goods or labour services or tangible personal property leasing services or importation of goods except as otherwise provided by the VAT Regulations. The tax rate of VAT is 11% for the sales of the service of transportation, posting, basic telecommunications, construction and leasing real estate, the sale of real estate and the transfer of land use right, or sell or import the goods listed in the VAT Regulations.

On 4 April 2018, MOF and SAT jointly promulgated the Circular of the MOF and the SAT on Adjustment of Value-Added Tax Rates (《關於調整增值稅稅率的通知》), or Circular 32, according to which for VAT taxable sales acts or importation of goods originally subject to VAT rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively. Circular 32 became effective on 1 May 2018 and shall supersede existing provisions inconsistent with Circular 32. On 20 March 2019, MOF, SAT and General Administration of Customs（"**GAC**"） jointly promulgated the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Circular 39, according to which for general VAT payers' sales activities or imports that are subject to VAT at a current applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9%, respectively. This Announcement came into force on 1 April 2019.

On 9 January 2023, the MOF and the SAT issued the Announcement on Clarifying the Value-added Tax Reduction and Exemption Policy for Small-scale VAT Taxpayers and Other Policies (《關於明確增值稅小規模納稅人減免增值稅等政策的公告》), from 1 January 2023 to 31 December 2023, taxpayers in productive service industries are allowed to deduct the tax payable by 5% of the deductible input tax for the current period. Taxpayers in productive service industries refer to taxpayers whose sales amount from the provision of postal services, telecommunication services, modern services, and life services accounts for more than 50% of the total sales amount.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

Under the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**") (promulgated by the State Council on 29 January 1996, newly amended on 5 August 2008), Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital account items, such as direct investment or engaging in the issuance or trading of negotiable securities or derivatives unless the prior approval by the competent authorities for the administration of foreign exchange is obtained. In accordance with the Foreign Exchange Administrative Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and Roundtrip Investments by Domestic Residents through Special Purpose Vehicles (Hui Fa [2014] No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (匯發[2014]37號) (the "**Circular No. 37**"), which was promulgated by the SAFE and came into effect on 4 July 2014, the SAFE and its branch carry out registration management for domestic resident's establishment of special purpose vehicles (the "**SPV**"). An SPV is defined as "an offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purposes of investment and financing." Before a domestic resident contributes its legally owned onshore or offshore assets and equity to an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE. If SPV registered offshore has any change of basic information such as the individual shareholder, name, operation term, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off, or other amendments of the material items, they shall complete foreign exchange alteration of the registration formality for offshore investment in the SAFE. According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No.13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (匯發[2015]13號) (the "**Circular 13**"), which was promulgated by the SAFE on 13 February 2015 and came into effect on 1 June 2015, and was amended on 30 December 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13. The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**") (promulgated by SAFE on 30 March 2015, and became effective on 1 June 2015 and partially repealed on 30 December 2019 and amended on 23 March 2023), the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement (the "**Discretional Foreign Exchange Settlement**"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account. If a foreign-invested enterprise needs to make a further payment from such assigned accounts, it still needs to provide supporting documents and go through the banks' review process.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》 (Hui fa [2016] No.16) (匯發[2016]16號)), or "**the Circular 16**" (promulgated by the SAFE on 9 June 2016, which became effective simultaneously), enterprises registered in the PRC (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The Circular 16 provides an integrated standard for converting foreign exchange under capital account items (including but not limited to foreign exchange capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. The Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, and such converted Renminbi shall not be provided as loans to its non-affiliated entities, except where it is expressly permitted in the business licence.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (Hui Fa [2019] No. 28) (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (匯發[2019]28號), which was issued and came into effect on 23 October 2019 by the SAFE, foreign-invested enterprise engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

According to the Notice on Further Optimising the Cross-border RMB Policy and Supporting the Stabilisation of Foreign Trade and Foreign Investment (《關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知》) issued by the People's Bank of China, the NDRC, the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the China Banking and Insurance Regulatory Commission and the SAFE on 31 December 2020 which came into effect on 4 February 2021, the RMB income from the capital account of domestic institutions could be used within the business scope approved by the relevant state departments when the following requirements are met: (1) it shall not be used directly or indirectly for expenditures outside the business scope of the enterprise or the expenditures prohibited by national laws and regulations; (2) unless expressly provided otherwise, it shall not be used directly or indirectly for securities investment; (3) unless expressly permitted in the business scope, it shall not be used for giving out loans to the non-associated enterprises; and (4) it shall not be used for constructing or purchasing the real estate for non-self-use (except for real estate development enterprises). In addition, the non-investment oriented foreign investment enterprises could make domestic reinvestment with RMB capital in accordance with the law, provided they comply with current regulations and the domestic investment projects are true and compliant.

LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL WELFARE

Labour protection

According to the Labour Law of the PRC (《中華人民共和國勞動法》) (promulgated by the SCNPC on 5 July 1994, became effective as at 1 January 1995, and as amended on 27 August 2009 and 29 December 2018), enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by State rules and standards on workplace safety, educate employee in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide employees with workplace safety and sanitation conditions, which comply with State stipulations and relevant labour protection articles.

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated on 29 June 2007 and came into effect on 1 January 2008, and was amended on 28 December 2012 and came into effect on 1 July 2013, and the Regulation on the Implementation of the Labour Contract Law of the PRC (No. 535 Order of the State Council) (《中華人民共和國勞動合同法實施條例》), which was promulgated and came into effect on 18 September 2008, labour contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labour contract, a non-fixed-term labour contract, or a labour contract that concludes upon the completion of certain work assignments. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with legal conditions, an employer may terminate a labour contract and dismiss its employees in accordance with the PRC laws. Labour contracts concluded before the issuance of Labour Law and existing during its effective term shall continue to be acknowledged.

Social insurance and housing fund

As required under the Regulation of Insurance for Labour Injury (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on 14 December 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on 22 January 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) implemented on 22 January 1999 and amended on 24 March 2019 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and amended on 29 December 2018, enterprises are obliged to provide their employees in mainland China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency* (社會保險費徵收機構) to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from 1 to 3 times the amount of the amount in arrears.

In accordance with the Regulations on the Administration of Housing Provident Fund of the PRC (《住房公積金管理條例》) (promulgated by the State Council on 3 April 1999 and was amended on 24 March 2002 and 24 March 2019), enterprises must register at the competent managing centre for housing funds and upon the examination by such managing centre of housing funds, these enterprises shall complete procedures for opening an account for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. In violation of the Regulations on Administration of Housing Provident Fund, an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment and deposit within a prescribed time limit; where the payment and deposit have not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright

China is a signatory to some major international conventions on the protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. Furthermore, China has enacted various laws and regulations relating to the protection of copyright. The Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**"), promulgated on 7 September 1990 and newly revised on 11 November 2020 and became effective from 1 June 2021. The Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) (the "**Copyright Implementation**") promulgated on 2 August 2002, revised on 30 January 2013. Under the Copyright Law, works of citizens, legal persons or unincorporated organisations of China, whether published or not, shall enjoy copyright. The natural person, legal person or unincorporated organisation named on a work as its author shall be the author of the work and have the corresponding rights to the said work, unless proven to the contrary. Authors and other copyright owners may complete the registration of their works with a registration agency recognised by the State copyright authority.

Software copyright

The Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. To address the problem of copyright infringement related to the content posted or transmitted over the internet, the National Copyright Administration and the Ministry of Information Industry jointly promulgated the Measures on Administrative Protection of Copyright Related to the Internet (《互聯網著作權行政保護辦法》) on 29 April 2005 and this measure became effective on 30 May 2005. In order to further implement the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991, and most recently amended on 30 January 2013 and taking into effect on 1 March 2013, the State Copyright Bureau issued the Measures for Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on 6 April 1992 (amended on 20 February 2002), which applies to software copyright registration, licence contract registration and transfer contract registration. The National Copyright Administration of the

PRC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China or the CPCC, is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Computer Software Copyright Registration Procedures and the Computer Software Protection Regulations (Revised in 2013).

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (promulgated by the SCNPC on 23 August 1982, came into effect on 1 March 1983 and revised on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019) and the PRC Trademark Law Implementing Regulations(《中華人民共和國商標法實施條例》) (promulgated by the State Council on 29 April 2014 and came into effect on 1 May 2014). The trademark bureaus under the General Administration for Industry and Commerce are responsible for trademark registration and authorising registered trademarks for a validity period of 10 years. Trademark registrants may apply for renewal of registration, and the validity of a renewed registered trademark is the following 10 years. Trademark registrants may, by signing a trademark licence contract, authorise others to use their registered trademark. The trademark licence contract shall be submitted to the trademark office for filing. For trademarks, trademark law adopts the principle of "prior application" while handling trademark registration. Where a trademark under registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods or services, been registered or, after examination, preliminarily approved, the application for trademark registration shall be rejected. Anyone who applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark which others have already begun to use and which has "some influence".

Domain names

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (the "**Domain Name Measures**") on 24 August 2017 and forced on 1 November 2017. According to the Domain Name Measures, domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a "first come, first file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

OVERSEAS LISTING

On 6 July 2021, the relevant PRC governments released the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which, it is mentioned that the administration and supervision of overseas listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. Such opinion are subject to further changes with substantial uncertainty. We cannot determine whether it would put an adverse impact on us upon enactment.

On 17 February 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (being the Overseas Listing Trial Measures) and relevant supporting guidelines (collectively, the "**New Administrative Rules Regarding Overseas Listings**"), which took effect on 31 March 2023. The New Administrative Rules Regarding Overseas Listings refine the regulatory system for domestic company's overseas offering and listing by subjecting both direct and indirect overseas offering and listing activities to the filing-based administration, and clearly defines the circumstances where provisions for direct and indirect overseas offering and listing apply and relevant regulatory requirements.

According to the Overseas Listing Trial Measures, among other things, a domestic company in the PRC that seeks to offer and list securities in overseas markets shall fulfil the filing procedure with the CSRC as per requirement of the Overseas Listing Trial Measures. Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall fulfil the filing procedure with the CSRC. Where a domestic company seeks to indirectly offer and list securities in overseas markets, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, fulfil the filing procedure with the CSRC. Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

The Overseas Listing Trial Measures also provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

According to the Overseas Listing Trial Measures, if a domestic company fails to fulfil filing procedure, or offers and lists securities in an overseas market in violation of the measures, the CSRC shall order rectification, issue warnings to such domestic company, and impose relevant fines. Directly liable persons-in-charge and other directly liable persons shall be warned and each imposed relevant fine. Besides, controlling shareholders and actual controllers of the domestic company that organise or instruct the aforementioned violations as well as directly liable persons-in-charge and other directly liable persons shall be imposed fines according to the measures. Our Company has submitted the filing application with the CSRC as required.

On 24 February 2023, the CSRC promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Administration Provisions**"), which took effect on 31 March 2023. According to the Confidentiality and Archives Administration Provisions, domestic companies that carry out overseas offering and listing (either in direct or indirect means) and the securities companies and securities service providers (either incorporated domestically or overseas) that undertake relevant businesses shall institute a sound confidentiality and archives administration system, and take necessary measures to fulfil confidentiality and archives administration obligations. They shall not leak any state secret and working secret of government agencies, or harm national security and public interest. Therefore, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. Moreover, if documents and materials that, if leaked, will be detrimental to national security or public interest, are involved, the domestic company shall strictly fulfil relevant procedures stipulated by applicable regulations.

Furthermore, the Confidentiality and Archives Administration Provisions stipulates that a domestic company that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfil due procedures in compliance with applicable regulations. Working papers produced in the mainland China by securities companies and securities service providers in the process of undertaking businesses related to overseas offering and listing by domestic companies shall be retained in the mainland China. Where such documents need to be transferred or transmitted to outside the mainland China, relevant approval procedures stipulated by regulations shall be followed.

OVERVIEW

Our history can be traced back to 2015 when Beijing Lesimedia, our principal operating subsidiary, stepped into the mobile advertising industry under the leadership of our founder, Mr. Yu, in light of the potential growth and development in the internet market and the increasing mobile internet traffic in the PRC. In 2016, Mr. Zhao joined our Group and further expanded our business in the mobile advertising industry with Mr. Yu. Prior to joining our Group, both of Mr. Zhao and Mr. Yu possessed years of experience in sales and marketing in the technology and internet industries in the PRC. For their background, see "Directors and senior management" in this prospectus.

We have been providing mobile advertising services with a focus on in-feed advertising since 2015 and producing mobile ads in still image format for customers. In view of the increasing adoption of 5G mobile technologies with higher internet speed, we expanded the format of our mobile ads to short videos in 2018. To cater for the increasing demand for our services, we set up our video production base in Beijing in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development.

Over years of our operations, we have accumulated extensive experience in the provision of mobile advertising services to our customers, which included well-established companies in the technology and internet industries with nationwide operation in the PRC and overseas. We have also established solid business relationship with top media partners which operate some of the most popular and leading search engine platforms, news and information content platforms, short video platforms, app stores and social media platforms in the PRC. As at 30 September 2023, as a distributor of 6 media publishers, we can directly distribute mobile ads on more than 30 media platforms. With an extensive network for ad distribution, mobile ads of our customers can reach a wide spectrum of mobile users with different interests.

Business milestones

The following table outlines our key business development milestones:

Year	Event
2015	• Beijing Lesimedia commenced its provision of mobile advertising services with a focus on in-feed advertising.
	• We established our network for direct distribution of mobile ads on media platforms. Since then, our network covered a mobile browser operated by Alibaba Group.
2016	• We further expanded our network for ad distribution to cover app stores, mobile browsers and other apps operated by Supplier A.

Year	Event
2017	• We formed our technology support and development team in Guangzhou, Guangdong, the PRC.
	• We commenced business relationship with Customer A, a leading internet technology company operating the largest platforms for short-form mobile videos.
	• We commenced business relationship with Customer B, a leading technology company with a focus on search engine business.
2018	• We commenced our in-house production of mobile ads in video format.
2019	• We further expanded our network for ad distribution to cover short video platforms, news and information content platforms, an information sharing platform for auto vehicles and other apps operated by Supplier C.
2020	• We established our dedicated video production base in Beijing with different shooting scenarios.
2021	• We further expanded our network for ad distribution to cover various video platforms operated by Supplier I and a social media platform for career and social networking operated by Supplier H.
	• Hunan Lesimedia was established for our expansion of video production base to Changsha, Hunan, the PRC.
2022	• We became a business partner of a popular video platform operated by Customer A in markets outside of China. We started to explore business opportunities to provide advertising and marketing services to retailers for promotion of their products on an overseas video platform through live streaming.
	• Our video production base was relocated to Changsha, Hunan, the PRC.

For further details, see "Business — Suppliers", "Business — Customers" and "Business — Strategies and future plans" in this prospectus.

OUR CORPORATE DEVELOPMENTS

Our Company

For details regarding the incorporation of our Company, see "Reorganisation — 1. Incorporation of offshore companies — Our Company" in this section.

Our principal operating subsidiaries

We carry out our business through various subsidiaries in the PRC. Details of the major corporate developments including major shareholding changes of our principal PRC operating subsidiaries are set out below.

Beijing Lesimedia

Beijing Lesimedia was established in the PRC on 9 January 2009 as a limited liability company with an initial registered capital of RMB500,000. The registered capital was fully paid up in cash and was owned as to (i) 60% by Ms. Shu, the spouse of Mr. Yu, and (ii) 40% by Mr. Yu Yiwen ("**Mr. Yu YW**"), the father of Mr. Yu. Beijing Lesimedia was established with a view to explore potential business opportunities and had no substantial operations until it stepped into the mobile advertising industry in 2015 under the leadership of Mr. Yu. In 2016, Mr. Zhao joined our Group and further expanded our business in the mobile advertising industry with Mr. Yu. Since then, Beijing Lesimedia has been principally engaged in the provision of mobile advertising services.

After establishment, Beijing Lesimedia had capital injections and its registered capital was increased to RMB1 million and was contributed by its then shareholders. As at 15 March 2016, the equity interest of Beijing Lesimedia was owned as to (i) 60% by Ms. Shu and (ii) 40% by Mr. Yu YW. To recognise the changes in management and business directions of our Group and the dedication of Mr. Zhao and Mr. Yu, Beijing Lesimedia underwent shareholding changes. On 15 March 2016, Ms. Shu transferred her equity interest in Beijing Lesimedia as to (i) 32% to Mr. Yu at a consideration of RMB320,000, (ii) 12% to Mr. Zhao at a consideration of RMB120,000 and (iii) 10% to Mr. Zhang Yu ("**Mr. Zhang**"), a then employee of Beijing Lesimedia and an Independent Third Party, at a consideration of RMB100,000. On the same date, Mr. Yu YW transferred all his 40% equity interest in Beijing Lesimedia to Mr. Zhao, at a consideration of RMB400,000. The considerations were determined with reference to the then registered capital of Beijing Lesimedia held by Ms. Shu and Mr. Yu YW. Upon completion of the transfers, the equity interest in Beijing Lesimedia was owned as to (i) 52% by Mr. Zhao, (ii) 32% by Mr. Yu, (iii) 10% by Mr. Zhang and (iv) 6% by Ms. Shu.

Beijing Lesimedia subsequently underwent a series of capital injections and transfers of equity interests for financing its business development with a plan to streamline its shareholding structure. As at 4 July 2017, Beijing Lesimedia had a registered capital of RMB5 million and the equity interest was owned as to (i) 52% by Mr. Zhao, (ii) 32% by Mr. Yu, (iii) 10% by Mr. Zhang and (iv) 6% by Ms. Shu. On 4 July 2017, Beijing Lesimedia together with its shareholders and Jiangsu Wansheng signed a capital injection agreement, pursuant to which Jiangsu Wansheng subscribed for 12.5% equity interest in Beijing Lesimedia at a consideration of RMB20 million. The consideration, which was determined based on arm's length negotiation between the parties after having considered the historical financial performance, the financial position and the future financial needs of Beijing Lesimedia and the business prospects of Beijing Lesimedia in the mobile advertising industry, was fully paid on 7 July 2017. For further information about Jiangsu Wansheng, see "Information about Jiangsu Wansheng" in this section. Upon completion of the capital injection, the equity interest of Beijing Lesimedia was owned as to (i) approximately 45.50% by Mr. Zhao, (ii) approximately 28.00% by Mr. Yu, (iii) 12.50% by Jiangsu Wansheng, (iv) approximately 8.75% by Mr. Zhang and (v) approximately 5.25% by Ms. Shu.

On 14 August 2019, to streamline the shareholding structure, Mr. Zhao, Mr. Yu, Mr. Zhang and Ms. Shu transferred their equity interest in Beijing Lesimedia at nil consideration to Shanghai Lingxiang, which was in turn owned as to (i) approximately 51.91% by Mr. Zhao, (ii) approximately 31.99% by Mr. Yu, (iii) 10% by Mr. Zhang, (iv) 6% by Ms. Shu and (v) 0.1% by Xiamen Haitan (as the general partner). Xiamen Haitan was owned as to (i) 90% by Mr. Zhao and (ii) 10% by Mr. Yu. Xiamen Haitan is the general partner of Shanghai Lingxiang while other shareholders are limited partners. Upon completion of the transfers, Beijing Lesimedia was owned as to (i) 87.5% by Shanghai Lingxiang and (ii) 12.5% by Jiangsu Wansheng. There was no subsequent change in the shareholding structure of Beijing Lesimedia until the Reorganisation.

To pursue other personal goals, Mr. Zhang left our Group and transferred his 10% interest in Shanghai Lingxiang as to (i) 5.779% to Mr. Zhao, (ii) 3.551% to Mr. Yu and (iii) 0.67% to Ms. Shu at an aggregate consideration of RMB1 million, which was determined with reference to his then capital contribution in Shanghai Lingxiang, on 28 June 2020. The consideration was fully settled on 30 June 2020. Subsequently, Shanghai Lingxiang was owned as to (i) 57.689% by Mr. Zhao, (ii) 35.541% by Mr. Yu, (iii) 6.67% by Ms. Shu and (iv) 0.1% by Xiamen Haitan (as the general partner). Immediately prior to Mr. Zhang's departure, he served as the vice president of sales and marketing of our Group and was primarily responsible for sales and marketing. In view of the substantial amount of work involved in sales and marketing of our Group and his then health conditions, Mr. Zhang resigned and held no other position with our Group. As confirmed by Mr. Zhang, he has no disagreement with our Directors and had no claim against our Group.

On 7 July 2020, to recognise the contributions of Mr. Nie in our Group, Mr. Nie became a shareholder of Shanghai Lingxiang and had capital contribution of RMB1,000. Subsequently, Shanghai Lingxiang was owned by (i) Mr. Zhao as to approximately 57.68%, (ii) Mr. Yu as to approximately 35.54%, (iii) Ms. Shu as to approximately 6.67%, (iv) Xiamen Haitan (as the general partner) as to 0.1% and (v) Mr. Nie as to 0.01%. There was no subsequent change in the shareholding structure of Shanghai Lingxiang.

Khorgos Lechuang

Khorgos Lechuang was established in the PRC on 9 January 2017 as a limited liability company with an initial registered capital of RMB1,000,000 and was wholly owned by Beijing Lesimedia.

On 15 April 2021, the registered capital of Khorgos Lechuang was increased to RMB3,000,000 through capital injection in the amount of RMB2,000,000 by Beijing Lesimedia.

Khorgos Lechuang has been principally engaged in the provision of mobile advertising services since its establishment.

In January 2022, Khorgos Lechuang entered into a cooperation agreement on formation of a joint venture with Leyugou Funeng, an Independent Third Party and a wholly owned subsidiary of a leading electrical appliance store in the PRC. Beijing Leyugou was established in the PRC on 14 February 2022 as a limited liability company with a registered capital of RMB10 million according the said cooperation agreement. The equity interest of Beijing Leyugou was owned as to 80% by Leyugou Funeng and 20% by Khorgos Lechuang. It was originally intended that Beijing Leyugou would engage in the sales and marketing business under the cooperation of Leyugou Funeng and Khorgos Lechuang. Due to changes of key personnel of Leyugou Funeng and their development plan, Leyugou Funeng and Khorgos Lechuang mutually agreed to terminate the cooperation in July 2022 and proceeded with the subsequent deregistration procedures. Accordingly, Beijing Leyugou was deregistered on 2 March 2023. Prior to its deregistration, Beijing Leyugou has not commenced any business and no capital contribution has been made to Beijing Leyugou given that the cooperation was at its preliminary stage.

Beijing Lexiao

Beijing Lexiao was established in the PRC on 26 June 2018 as a limited liability company with an initial registered capital of RMB1,000,000 and was wholly owned as to 100% by Beijing Lesimedia.

Beijing Lexiao has been principally engaged in the provision of mobile advertising services since its establishment.

Hunan Lesimedia

Hunan Lesimedia was established in the PRC on 9 November 2021 as a limited liability company with an initial registered capital of RMB2,000,000 and was wholly owned by Beijing Lesimedia.

Hunan Lesimedia has been principally engaged in the provision of mobile advertising services since its establishment.

Khorgos Lemon

Khorgos Lemon was established in the PRC on 23 July 2020 as a limited liability company with an initial registered capital of RMB1,000,000 and was wholly owned by Beijing Lesimedia. On 28 November 2023, the registered capital of Khorgos Lemon was increased to RMB3,050,000.

Khorgos Lemon has been principally engaged in the provision of mobile advertising services since its establishment.

Other subsidiaries of our Group

The following table contains brief information of other subsidiaries of our Group as at the Latest Practicable Date:

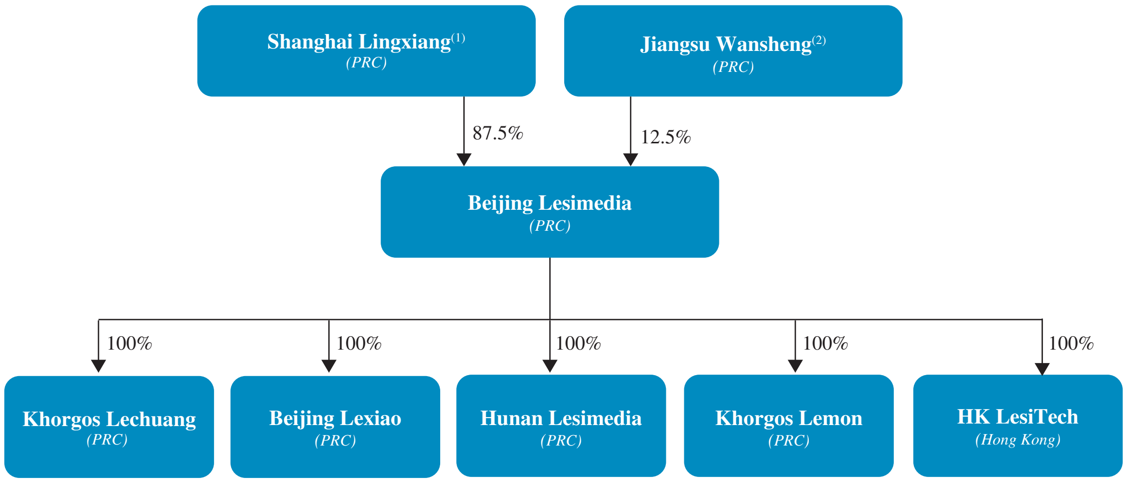
Name	Date of incorporation/ establishment	Place of incorporation/ establishment	Principal activities
New Atmedia BVI	28 January 2019	BVI	Investment holding
Glitter Investments HK	11 February 2019	Hong Kong	Investment holding
Hunan Lexiaoyun	11 March 2022	PRC	Investment holding
HK LesiTech	14 May 2018	Hong Kong	Inactive

INFORMATION ABOUT JIANGSU WANSHENG

Jiangsu Wansheng is principally engaged in the digital advertising business and investment holding. It is a wholly-owned subsidiary of Leo Group Co., Ltd.* (利歐集團股份有限公司) ("**Leo Group**"), which is principally engaged in mechanical manufacturing and provision of digital marketing services in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002131) since April 2007. The single largest shareholder of Leo Group is Mr. Wang Xiangrong* (王相榮), who has served as the chairman and the general manager of Leo Group since February 2005 and August 2009, respectively, and held approximately 9.4% interest in Leo Group as at 31 December 2021. Save as his indirect interest in our Group through his shareholding and directorship in Leo Group, Mr. Wang Xiangrong is an Independent Third Party. Other than mechanical manufacturing and digital marketing services, Leo Group also engages in the investment business and maintains investment portfolios in various industries with a focus on the vehicle manufacture industry, medical and health care industry, semiconductor production industry and aircraft industry. The investment by Jiangsu Wansheng into Beijing Lesimedia was made in accordance with the then investment strategy of Jiangsu Wansheng into the online advertising sector and to create synergy and further the business relationship with our Group. Jiangsu Wansheng was a passive investor and was not involved in the management of our business nor operations. A subsidiary of Jiangsu Wansheng was a customer of our Group in 2020. For the years ended 31 December 2020, we provided advertisement distribution services to Leo Group and generated revenue of insignificant amount of less than RMB1,000. Our businesses with Leo Group were conducted on normal commercial terms, which were comparable to other independent customers and were determined based on arm's length negotiation.

REORGANISATION

The following chart sets out the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Notes:

(1) The equity interest in Shanghai Lingxiang is owned as to (i) approximately 57.68% by Mr. Zhao, (ii) approximately 35.54% by Mr. Yu, (iii) approximately 6.67% by Ms. Shu, (iv) approximately 0.1% by Xiamen Haitan (as the general partner) and (v) approximately 0.01% by Mr. Nie. The equity interest in Xiamen Haitan is owned as to (i) 90% by Mr. Zhao and (ii) 10% by Mr. Yu.

(2) The equity interest in Jiangsu Wansheng is ultimately wholly owned by Leo Group. See "Information about Jiangsu Wansheng" in this section.

In preparation of the Listing, our Group underwent the Reorganisation, pursuant to which our Company became the holding company of our Group. The main steps of the Reorganisation are set out below:

1. *Incorporation of offshore companies*

Quartet Yutong BVI

On 22 May 2020, Quartet Yutong BVI was incorporated in the BVI with limited liability. The entire issued share capital of Quartet Yutong BVI is owned solely by Mr. Zhao.

Remit Sheng BVI

On 20 May 2020, Remit Sheng BVI was incorporated in the BVI with limited liability. The entire issued share capital of Remit Sheng BVI is owned solely by Mr. Yu.

Jing Sing BVI

On 21 May 2020, Jing Sing BVI was incorporated in the BVI with limited liability. The entire issued share capital of Jing Sing BVI is owned solely by Ms. Shu.

Jiang Oofy BVI

On 27 July 2020, Jiang Oofy BVI was incorporated in the BVI with limited liability. The entire issued share capital of Jiang Oofy BVI is owned solely by Mr. Nie.

Ka Lok BVI

On 16 January 2019, Ka Lok BVI was incorporated in the BVI with limited liability. Ka Lok BVI had subsequently undergone a series of share transfers and allotments. Since 1 April 2022, the entire issued share capital of Ka Lok BVI have been owned as to (i) 57.77% by Quartet Yutong BVI, (ii) 35.55% by Remit Sheng BVI, (iii) 6.67% by Jing Sing BVI and (iv) 0.01% by Jiang Oofy BVI.

Our Company

On 22 June 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability to act as the holding company of our Group for the listing on the Stock Exchange. The initial authorised share capital of our Company was US$20,000 divided into 20,000,000 Shares with a par value of US$0.001 each. On the same date, 1 initial Share of US$0.001 was issued and allotted to an initial subscriber, an Independent Third Party. After a series of share allotments and transfers, our Company has allotted and issued in aggregate 19,000,000 Shares with a par value of US$0.001 each. On 1 April 2022, our Company was wholly owned by Ka Lok BVI.

On 1 April 2022, the authorised share capital of our Company was increased from US$20,000 divided into 20,000,000 Shares of a par value of US$0.001 each to US$5,000,000 divided into 5,000,000,000 Shares of a par value of US$0.001 each by the creation of an additional of 4,980,000,000 Shares of par value of US$0.001 each.

New Atmedia BVI

On 28 January 2019, New Atmedia BVI was incorporated in the BVI with limited liability with an authorised capital of US$2,000 divided into 2,000 shares of US$1.00 each. On the same date, 2,000 fully-paid shares were issued and allotted to Ka Lok BVI. Upon completion of such issue and allotment, it was solely owned by Ka Lok BVI. On 16 July 2020, Ka Lok BVI transferred the entire issued shares of New Atmedia BVI to our Company. Upon completion of such transfer of shares, New Atmedia BVI was solely owned by our Company.

Glitter Investments HK

On 11 February 2019, Glitter Investments HK was incorporated in Hong Kong with limited liability with a share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On the same date, 10,000 fully-paid shares were issued and allotted to New Atmedia BVI. Upon completion of such issue and allotment, it was solely owned by New Atmedia BVI.

2. *Establishment of Hunan Lexiaoyun*

On 11 March 2022, Hunan Lexiaoyun was established in the PRC as a wholly-foreign owned enterprise of limited liability with an initial registered capital of RMB5 million. It was wholly-owned by Glitter Investments HK. In view of the offer of rental subsidy by the local government of Changsha City as its policy to attract foreign investment, Glitter Investments HK established Hunan Lexiaoyun as an investment holding company and in place of Shanghai Zhuixia.

3. *Deregistration of Shanghai Zhuixia*

Shanghai Zhuixia was established in the PRC on 12 August 2020 with registered capital of RMB5 million and was directly wholly-owned by Gliter Investments HK. Mr. Zhao was the sole director and the legal representative of Shanghai Zhuixia. It was intended that Shanghai Zhuixia would be principally engaged in investment holding and would hold the equity interest of Beijing Lesimedia after the Reorganisation. However, due to the reason as set out in "2. Establishment of Hunan Lexiaoyun" above, Hunan Lexiaoyun was ultimately selected as the special purpose vehicle for the Reorganisation. Accordingly, in order to streamline our corporate structure, Shanghai Zhuixia was deregistered on 29 June 2022. Shanghai Zhuixia had not commenced any business since its establishment. Prior to its deregistration, it had no revenue, assets, liabilities, licences or intellectual properties for operation of any business of our Group and was solvent. Moreover, it was not involved in any litigation, claims or legal proceedings from the date of establishment to the date of deregistration. Our PRC Legal Adviser reviewed all necessary documents on the registration and deregistration of Shanghai Zhuixia and have conducted all reasonable public searches against Shanghai Zhuixia with relevant government authorities (including searches on official websites of the relevant government authorities). Our Directors, as advised by our PRC Legal Adviser, confirmed that Shanghai Zhuixia has complied with all applicable laws and regulations in all material respects from the date of establishment to the date of deregistration.

4. *Transfer of equity interest in Beijing Lesimedia by Jiangsu Wansheng to Shanghai Lingxiang*

On 2 June 2022, in accordance with the shift in investment and exit strategies of Jiangsu Wansheng, taking into account the cash position of Leo Group and after mutual discussion, Jiangsu Wansheng and Shanghai Lingxiang entered into an equity transfer agreement, pursuant to which Jiangsu Wansheng transferred 12.5% equity interest in Beijing Lesimedia to Shanghai Lingxiang at a consideration of RMB30 million. The consideration was determined based on arm's length negotiation between the parties with reference to the investment cost of Jiangsu Wansheng in Beijing Lesimedia and after having considered the return on investment and net assets value of Beijing Lesimedia as at 30 June 2021 and the financial needs of Leo Group. The consideration was fully settled by 15 June 2022. Such transaction was properly and legally completed on 15 June 2022.

5. *Transfer of equity interest in Beijing Lesimedia by Shanghai Lingxiang to the Pre-IPO Investor*

On 10 April 2022, our Company, Glitter Investments HK, Beijing Lesimedia, Mr. Zhao, Mr. Yu, Ms. Shu, Mr. Nie and the Pre-IPO Investor entered into the Pre-IPO Investment Agreement, pursuant to which the Pre-IPO Investor agreed to acquire 5% equity interest in Beijing Lesimedia held by Shanghai Lingxiang, at a consideration of RMB11,010,000 and agreed to sell such 5% equity interest to Glitter Investments HK at the same consideration. The consideration was determined after arm's length negotiation with reference to the value of equity interest of Beijing Lesimedia as at 30 June 2021 appraised by an independent valuer and the financial performance and future prospect of our Group. On 10 May 2022, the Pre-IPO Investor and Shanghai Lingxiang entered into an equity transfer agreement to transfer the 5% equity interest in Beijing Lesimedia from Shanghai Lingxiang to the Pre-IPO Investor. Such transaction was properly and legally completed on 7 June 2022. The consideration was paid by the Pre-IPO Investor on 6 July 2022 and was fully settled on 29 July 2022 after completion of necessary cross-border payment procedure. Upon completion of such transfer, Beijing Lesimedia became a sino-foreign joint venture enterprise and was owned as to (i) 95% by Shanghai Lingxiang and (ii) 5% by the Pre-IPO Investor. For further details, see "Pre-IPO Investment" in this section.

6. *Capital injection to Hunan Lexiaoyun by Shanghai Lingxiang*

On 27 June 2022, Shanghai Lingxiang subscribed for new capital of RMB50,505 in Hunan Lexiaoyun, representing approximately 1.0% of the enlarged equity interest of Hunan Lexiaoyun. Such subscription was settled by the transfer of 95% of its equity interest in Beijing Lesimedia by Shanghai Lingxiang to Hunan Lexiaoyun. On 21 July 2022, Hunan Lexiaoyun entered into an equity transfer agreement with Shanghai Lingxiang in respect of the transfer of 95% equity interest in Beijing Lesimedia from Shanghai Lingxiang to Hunan Lexiaoyun. Such transactions were properly and legally completed by 21 July 2022. Upon completion of the said transfers, (i) Hunan Lexiaoyun was owned as to 99% by Glitter Investments HK and 1% by Shanghai Lingxiang and (ii) Beijing Lesimedia was owned as to 95% by Hunan Lexiaoyun and 5% by the Pre-IPO Investor.

The reason for capital injection to Hunan Lexiaoyun by Shanghai Lingxiang is to allow the transfer of equity interest in Beijing Lesimedia to be taken without having the need for funding.

7. *Transfer of equity interest in Beijing Lesimedia by the Pre-IPO Investor to Glitter Investments HK*

On 21 July 2022, Glitter Investments HK acquired 5% equity interest in Beijing Lesimedia from the Pre-IPO Investor at a consideration of RMB11,010,000, which was settled by the issue and allotment of 1,000,000 Shares, credited as fully paid, by our Company to the Pre-IPO Investor. Such consideration was determined on arm's length basis with reference to the consideration paid by the Pre-IPO Investor for its acquisition of 5% equity in Beijing Lesimedia. Such transfer was properly and legally completed on 21 July 2022.

Upon completion of the said transfer and allotment, (i) Beijing Lesimedia was owned as to 95% by Hunan Lexiaoyun and 5% by Glitter Investments HK, and (ii) our Company was owned as to 95% by Ka Lok BVI and 5% by the Pre-IPO Investor.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

The Pre-IPO Investor is a company incorporated in Singapore with limited liability on 7 December 2020 and has a focus of its investment in the technology, media and telecommunications industry and education industry. The entire equity interest in the Pre-IPO Investor is held directly by Trident Trust, a company incorporated in Singapore with limited liability and an Independent Third Party. Trident Trust is a professional and independent trustee to the Ma Family Trust, which is a discretionary trust established on 3 December 2020, with Mr. Ma being the settlor and protector. The current beneficiaries of the Ma Family Trust are Mr. Ma's children and remoter issue. Mr. Ma is the sole director of the Pre-IPO Investor. He is the founder of Shaanxi Longmen Education Technology Ltd.* (陝西龍門教育科技有限公司) ("**Longmen Education**"), which was principally engaged in the provision of education training services, and the shares of which were listed on the National Equities Exchange and Quotations System (stock code: 838830) from August 2016 to 18 October 2019. Mr. Ma was the deputy chairman and executive director of Longmen Education. In 2017, Longmen Education was acquired by a subsidiary of Suzhou Kingswood Education Technology Co., Ltd.* (蘇州科德教育科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300192) during its internal reorganisation process and its principal business is education training and offset printing.

Mr. Ma became acquainted with Mr. Zhao and Mr. Yu through the introduction by a business acquaintance of Mr. Ma in 2020. He then explored potential opportunities on the Pre-IPO Investment in view of our Group's track record and market growth potential.

To the best of the knowledge, information and belief of our Directors, (i) the Pre-IPO Investor decided to invest in our Group as they were optimistic about the prospect of the mobile advertising industry and our Company after it met our management team and gained an understanding of our business operation and (ii) the Pre-IPO Investment was financed by the capital of the Ma Family Trust. The Pre-IPO Investor nominated Ms. Chang as a non-executive Director. For details of her biographical information, see "Directors and senior management" in this prospectus. Save as disclosed herein, the Pre-IPO Investor and its ultimate beneficial owner do not have any other relationship with our Group, our Shareholders, our Directors, our senior management, any connected persons of our Company and any of their respective associates. Other than having a role as investor and a Shareholder and having nominated Ms. Chang, the Pre-IPO Investor and its ultimate beneficial owners, being Independent Third Parties, (i) had no role and involvement in our Group and (ii) had not received or would not receive any remuneration and/or benefit in kind from our Company, our Controlling Shareholders and/or any of their associates in connection with the Listing.

Investment

On 10 April 2022, our Company, Glitter Investments HK, Beijing Lesimedia, Mr. Zhao, Mr. Yu, Ms. Shu, Mr. Nie and the Pre-IPO Investor entered into the Pre-IPO Investment Agreement, which was amended by a supplemental agreement dated 22 January 2024. Pursuant to the Pre-IPO Investment Agreement, the Pre-IPO Investor conditionally agreed to acquire, and Mr. Zhao, Mr. Yu, Ms. Shu and Mr. Nie conditionally agreed to procure the sale of, 5% equity interest in Beijing Lesimedia held by Shanghai Lingxiang to the Pre-IPO Investor at a consideration of RMB11,010,000, which shall be settled by cash. For details, see "Reorganisation — 5. Transfer of equity interest in Beijing Lesimedia by Shanghai Lingxiang to the Pre-IPO Investor" in this section.

On 21 July 2022, the Pre-IPO Investor transferred its 5% equity interest in Beijing Lesimedia to Glitter Investments HK at a consideration of RMB11,010,000, which is settled by the issue and allotment of 1,000,000 Shares, representing 5% of the total issued share capital of our Company as enlarged by the issue of such Shares. For details, see "Reorganisation — 7. Transfer of equity interest in Beijing Lesimedia by the Pre-IPO Investor to Glitter Investments HK" in this section. The Pre-IPO Investor will hold 3.75% of the enlarged issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme).

Summary

The following table sets forth a summary of the Pre-IPO Investment:

Name of the Pre-IPO Investor	Ma LM Assets Management Pte. Ltd.
Date of the Pre-IPO Investment Agreement	10 April 2022
Amount of consideration	RMB11,010,000 (equivalent to approximately HK$11,938,842)
Settlement date of the consideration	29 July 2022
Total number of Shares to be held by the Pre-IPO Investor immediately after the Capitalisation Issue and upon Listing	18,750,000 Shares
Shareholding in our Company immediately upon Listing (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme)	3.75%
Cost per Share paid by the Pre-IPO Investor upon Listing	Approximately RMB0.5872 (equivalent to approximately HK$0.637) per Share
Discount to Offer Price	Approximately 51.0%, assuming the Offer Price is HK$1.30 per share, being the mid-point of the Offer Price range

Use of proceeds by our Group	Not applicable as the payment was made to a then shareholder of Beijing Lesimedia
Strategic benefits from the Pre-IPO Investment	(i) Widen our shareholder base; (ii) enhance our Group's corporate governance as the Pre-IPO Investor has brought in Ms. Chang to our Board, who is a qualified lawyer in the United States and the PRC, and possesses more than 5 years of experience in handling corporate governance and compliance matters of listed companies; and (iii) facilitate our Reorganisation so that Beijing Lesimedia would become a sino-foreign joint venture enterprise in the PRC. For further information, see "Reorganisation" in this section.
Lock-up restrictions	Not applicable

Although the cost per Share paid by the Pre-IPO Investor upon Listing represented a discount to the Offer Price (being HK$1.30 per Share, the mid-point of the Offer Price range) of approximately 51.0%, our Directors consider that the basis of determination of the consideration was fair and reasonable. Our Company, having taken into consideration that (i) the Pre-IPO Investment would be beneficial to the future business development and possible fund-raising activities of our Group; (ii) the Global Offering is conditional and may or may not go forward; (iii) the equity risk assumed by the Pre-IPO Investor in investing in an unlisted company; and (iv) the basis of determination of the consideration as disclosed above, believes that despite the significant discount to the Offer Price, it is in our commercial interests to enter into the Pre-IPO Investment Agreement.

Special rights

Pursuant to the Pre-IPO Investment Agreement, the Pre-IPO Investor was granted certain special rights with a summary as set out below:

- *Anti-dilution.* If our Company issues or sells any Shares or other equity securities at an effective price per share that is less than the acquisition price of the Pre-IPO Investment or our Company issues any new Shares (or convertible securities) at a unit price that is less than the acquisition price of the Pre-IPO Investment, as an anti-dilution protection measure, the Pre-IPO Investor is entitled to subscribe new Shares at the said effective price per Share or the said unit price or request the then Shareholders after reorganisation to transfer the Shares held by them to the Pre-IPO Investor at nil consideration, so that the average purchase price per Share for the Shares then held by the Pre-IPO Investor is equal to the said effective price per share or the said unit price. The Pre-IPO Investor has ceased to have such rights after our Company submitted its listing application to the Stock Exchange.

- *Information access rights.* The Pre-IPO Investor shall have the access rights to obtain the annual audited consolidated financial statements of our Company before 30 April of every calendar year. The Pre-IPO Investor will cease to have such rights upon Listing.

- *Pre-emptive rights.* If our Company issues any new Shares (or convertible securities), the Pre-IPO Investor shall be entitled to a pre-emptive right to subscribe such new Shares (or convertible securities) under the same conditions. If the Shareholders sell any of the Shares held by them after Reorganisation, the Pre-IPO Investor shall have the pre-emptive right to purchase such Shares. The Pre-IPO Investor has ceased to have such rights after our Company submitted its listing application to the Stock Exchange.

- *Right to nominate director.* The Pre-IPO Investor shall be entitled to nominate 1 non-executive Director and has nominated Ms. Chang. The Pre-IPO Investor will cease to have such rights upon Listing.

- *Divestment rights.* If the Listing does not take place before 30 June 2024, the Pre-IPO Investor has the right to require Mr. Zhao, Mr. Yu, Ms. Shu and Mr. Nie to purchase the Shares held by the Pre-IPO Investor at the aggregate price of the investment amount with a 10% per annum interest rate. Such right has been suspended upon the submission of the application for Listing by our Company but may resume to be exercisable if and only if the Listing does not take place and will be terminated upon the Listing.

Undertaking of the Pre-IPO Investor

The Pre-IPO Investor has undertaken that, prior to the Listing, it will not transfer any Share to any person who is an existing or potential competitor of our Group or to any company which is engaged in a business competing with our Group, unless prior unanimous consents of all Shareholders are obtained or all the Shares are to be acquired by such person who is competing with our Group.

Non-competition

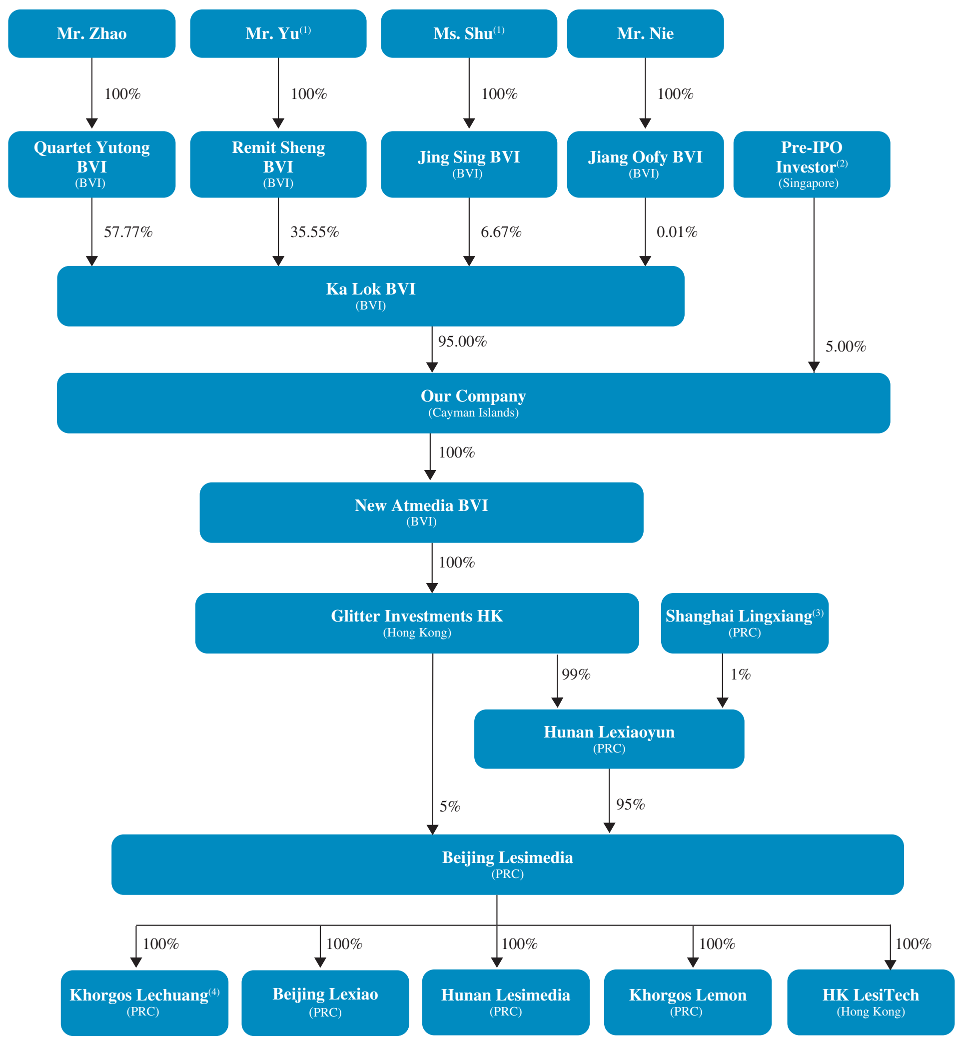
Pursuant to the Pre-IPO Investment Agreement, Mr. Zhao, Mr. Yu, Ms. Shu and Mr. Nie have undertaken that (i) they will not hold controlling or entire equity interest or engage in any business which competes with the business of our Group, save for their interest in our Group, and (ii) they shall also refer business opportunities to our Group as and when it is possible.

Sole Sponsor's confirmation

Under Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange, where the consideration for completion or divestment of the last pre-IPO investment is settled within 28 clear days before the date of first submission of the listing application, the Stock Exchange will generally delay the first day of trading until 120 clear days after the later of the completion or divestment of the last pre-IPO investments. The Pre-IPO Investment was completed on 29 July 2022. On the basis that (i) the Listing will be more than 120 clear days after the completion of the Pre-IPO Investment; and (ii) the special rights granted to the Pre-IPO Investor shall terminate upon Listing, the Sole Sponsor has confirmed that, the Pre-IPO Investment is in compliance with Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange.

OUR SHAREHOLDING STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets out the shareholding and corporate structure of our Group immediately following the completion of the Reorganisation but before the completion of the Capitalisation Issue and the Global Offering:



Notes:

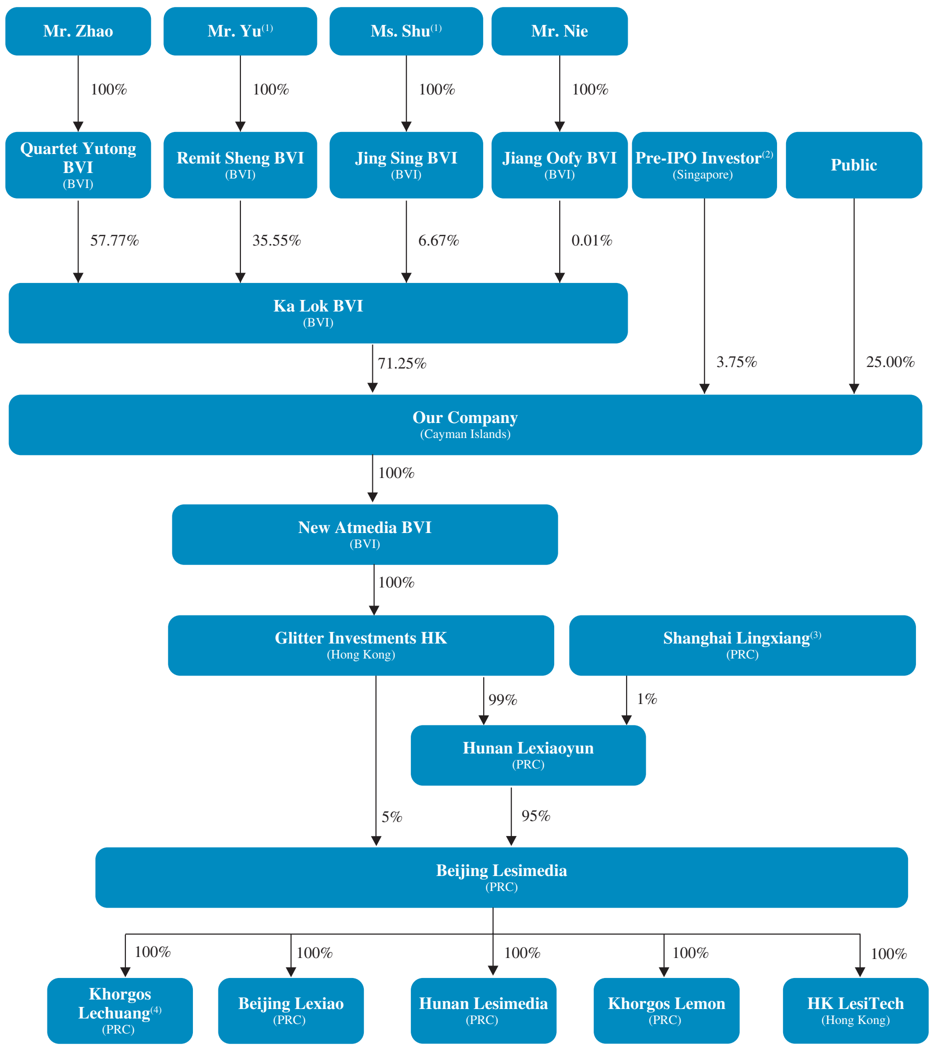
(1) Mr. Yu and Ms. Shu are spouse.

(2) The Pre-IPO Investor is beneficially owned by Trident Trust, which serves as the trustee to the Ma Family Trust, with beneficiaries being children and remoter issue of Mr. Ma.

(3) The equity interest in Shanghai Lingxiang is owned as to (i) approximately 57.68% by Mr. Zhao, (ii) approximately 35.54% by Mr. Yu, (iii) approximately 6.67% by Ms. Shu, (iv) approximately 0.1% by Xiamen Haitan (as the general partner) and (v) approximately 0.01% by Mr. Nie. The equity interest in Xiamen Haitan is owned as to (i) 90% by Mr. Zhao and (ii) 10% by Mr. Yu.

OUR SHAREHOLDING STRUCTURE AFTER THE GLOBAL OFFERING

The following chart sets out the shareholding and corporate structure of our Group immediately after the completion of the Global Offering (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme):



Notes:

(1) Mr. Yu and Ms. Shu are spouse.

(2) The Pre-IPO Investor is beneficially owned by Trident Trust, which serves as the trustee to the Ma Family Trust, with beneficiaries being children and remoter issue of Mr. Ma.

(3) The equity interest in Shanghai Lingxiang is owned as to (i) approximately 57.68% by Mr. Zhao, (ii) approximately 35.54% by Mr. Yu, (iii) approximately 6.67% by Ms. Shu, (iv) approximately 0.1% by Xiamen Haitan (as the general partner) and (v) approximately 0.01% by Mr. Nie. The equity interest in Xiamen Haitan is owned as to (i) 90% by Mr. Zhao and (ii) 10% by Mr. Yu.

CAPITALISATION ISSUE AND GLOBAL OFFERING

Capitalisation Issue

Pursuant to the written resolutions of our Shareholder passed on 21 February 2024, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of US$355,000 standing to the credit of the shares premium account of our Company by applying such sum towards the paying up in full at par a total of 355,000,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion to their then respective shareholding in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

Global Offering

For details, see "Structure of the Global Offering" in this prospectus.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Adviser has confirmed that the Reorganisation was legally completed, insofar as the relevant PRC laws, rules and regulations are applicable, all necessary approvals, filing and permits required under PRC laws and regulations in connection with the Reorganisation have been obtained and the Reorganisation are in compliance with relevant PRC laws and regulations in all material respects.

According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required. As confirmed by our PRC Legal Adviser, Article 11 of the M&A Rules is not applicable to the Reorganisation, and in particular the transfer of 95% equity interest in Beijing Lesimedia to Hunan Lexiaoyun is not subject to Article 11 of the M&A Rules since Beijing Lesimedia was a foreign-invested enterprise at the time of the transfer, and hence it is not necessary for us to obtain approval from the MOFCOM for the Reorganisation. Our PRC Legal Adviser is of the opinion that prior CSRC approval for the Global Offering is not required under the M&A Rules because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like the Global Offering under this prospectus are subject to the M&A Rules; (ii) our PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company. However, our PRC Legal Adviser further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

Circular 37

Pursuant to the Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's PRC subsidiary to distribute dividends to its overseas parent. Pursuant to the Circular 13, the power to accept the foreign exchange registration above was delegated from local SAFE branches to local banks where the domestic entity is registered.

As advised by our PRC Legal Adviser, each of Mr. Zhao, Mr. Yu, Mr. Nie and Ms. Shu have completed the registrations as required by Circular 37 on 7 August 2020.

Overseas listing

The CSRC promulgated the Overseas Listing Trial Measures and 5 relevant guidelines on 17 February 2023, which took effect on 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedures with the CSRC and report relevant information. The Overseas Listing Trial Measures also provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their habitual residence located in mainland China. Given that we generated a substantial amount of our total revenue as shown in our audited consolidated financial statements for the nine months ended 30 September 2023 in the PRC and that our business activities are mainly conducted in the PRC, our PRC Legal Adviser is of the opinion that the Listing, together with the Global Offering, is an indirect overseas offering under the Overseas Listing Trial Measures and we are required to complete the filing procedures with CSRC and report relevant information with respect to the Listing after the submission of our listing application to the Stock Exchange. Our Company submitted the filing application with the CSRC as required on 5 May 2023 and the CSRC published the notification on our completion of the required filing procedures on 21 December 2023.

OVERVIEW

We are a mobile advertising service provider in the PRC and mainly provide comprehensive mobile advertising services to our customers for marketing of their brands, products and/or services on media platforms operated by our media partners. Our services include mobile marketing planning, traffic acquisition, production of ad creatives, ad placements, ad optimisation, ad campaign management and ad distribution. We aim at optimising mobile ads' publicity and maximising their exposure to target mobile users to achieve our customers' marketing goals and improve their ROI. We are capable of providing comprehensive mobile advertising solutions services as well as one or more of these services, such as production of ad creatives, ad optimisation and ad distribution, to customers to serve their different needs.

Over years of our operations since 2015, we have accumulated extensive experience in the provision of mobile advertising services and serving customers from different industries in the PRC. Our customers include direct advertisers and advertising agents. During the early years of our development in the mobile advertising industry, we mainly provided advertisement distribution services to our customers. Subsequently, we expanded more additional services, such as production of mobile ads in video format and ad optimisation services as standalone services, and developed into our mobile advertising solutions services in view of our customers' needs. During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software developers, leading content app developers in the PRC and members of companies listed on recognised stock exchanges. For the nine months ended 30 September 2023, we served 150 customers from various industries, covering technology and internet services, financial services and gaming industries in the PRC.

We believe that a network for ad distribution is crucial to our continuous growth in the mobile advertising industry. Thus, we are committed to developing and establishing solid business relationship with reputable media partners to ensure a smooth and consistent supply of advertising space for our placement of mobile ads. Our media partners include media publishers (being operators of media platforms) and media agents of other media publishers. As at 30 September 2023, we have established business relationship with 6 media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by these media publishers. These media platforms include leading short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. With an extensive network for ad distribution, we can place mobile ads for marketing of brands, products and services of our customers to a wide spectrum of mobile users with different interests.

Our Directors believe that an extensive network for ad distribution is essential to our business; however, our capacities to produce and optimise mobile ads are critical to our business growth in light of the keen market competition. According to the iResearch Report, advertisers are generally in greater need of value-added services from mobile advertising service providers and the provision of one-stop mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC. Thus, we keep ourselves abreast of the latest market trends and developments, focus our resources to develop and expand our capacities to provide value-added services to customers and enhance our competitiveness in the mobile advertising market. We also consider that our in-house content production capacity is another driver to our business growth. We formulate mobile marketing plans and produce ad contents to mobile users to increase the marketing effectiveness of an ad campaign. Moreover, we monitor market trends closely and increase the offerings of our ad formats from still images and texts to short videos to meet market demands. In light of the increase of internet speed and the change of reading and browsing habits of mobile users which led to the rise of mobile ads in video format, we commenced production of mobile ads in video format in 2018 and set up a video production base with diverse shooting scenarios of different themes in Beijing in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development. We are currently able to produce ad contents and ad creatives in text, image and/or video formats that meet the marketing goals of our customers. Leveraging on our competent content production capacities, we were awarded as "The Most Creative Agency (最具創意代理)" by one of our major media publishers, namely Alibaba Group, in 2021 and we also received the "Creative Marketing Case Award (創意營銷案例獎)" and the "Content Creation Award (內容創造獎)" from our major media publishers in 2022. Moreover, our mobile ads were recognised and selected as "Top 15 in the Marketing Case Competition Award for the Year of 2023 (2023年營銷大賞案例大賽前十五大)" by our media publisher, namely Alibaba Group in 2023. Our Directors believe that our capacities to produce ad contents, which are creative and attractive, are well-recognised in the mobile advertising industry in the PRC and have contributed to the growth of our business during the Track Record Period.

As we are able to formulate mobile advertising solutions and enhance the effectiveness of our mobile ads for our customers, we experienced a growth in the demand for our mobile advertising solutions services during the Track Record Period and our mobile advertising solutions services contributed significantly to our business. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB325.7 million and RMB477.3 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.9% and 96.0%, respectively.

For the years ended 31 December 2020, 2021 and 2022, the average revenue generated from mobile advertising solutions services per customer were approximately RMB9.8 million, RMB8.3 million, RMB2.5 million, respectively. Such decrease was mainly attributable to the continuous expansion of our mobile advertising solutions services and the increase in our customer base for mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, the average revenue generated from mobile advertising solutions services per customers amounted to approximately RMB2.0 million and RMB4.5 million, respectively. Such increase was mainly due to our effort to serve customers with greater advertising needs, namely Customer M. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the average gross billing from advertisement distribution services per customer were approximately RMB1.4 million, RMB1.9 million, RMB3.3 million, RMB25.3 million and RMB6.2 million, respectively. The increase in the average gross billing from advertisement distribution services per customer during the years ended 31 December 2020, 2021 and 2022 was mainly attributable to the decrease in the number of customers for our advertisement distribution services and our effort to serve customers with greater advertising needs. For the nine months ended 30 September 2023, the average gross billing from advertisement distribution services per customer decreased to approximately RMB6.2 million from RMB25.3 million for the nine months ended 30 September 2022. Such decrease was mainly attributable to the migration of 88 customers from the advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

COMPETITIVE STRENGTHS

We seek to leverage on our competitive strengths to enhance our market position and further expand our business. We believe that the following competitive strengths contribute to our growth and differentiate us from our competitors.

Established relationship with top media partners operating leading media platforms in the PRC

According to the iResearch Report, as one of the key competitive factors of mobile advertising service providers in the PRC, media resources are essential to mobile advertising service providers since (i) the top media platforms have larger user base, maturer advertising ecology and higher internet exposure; and (ii) the establishment of long-term and stable partnerships with the media publishers helps mobile advertising service providers to keep abreast of market trends, attract advertisers and achieve marketing goals. Over years of our operations since 2015, we have gradually expanded our network for ad distribution and have established business relationship with top media partners that operate leading short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms in the PRC. As at 30 September 2023, we are a distributor of 6 media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by them. We possess such media resources and will continue to expand our media resources to maintain and enhance our competitiveness in the industry. These media platforms provide different contents to attract mobile users with diverse habits and preferences.

According to the iResearch Report, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022. Some of these dominant market players have several shortlisted distributors for their media platforms to avoid over-reliance on any one particular distributor. Advertisers or advertising service providers who intend to place their mobile ads on these media platforms generally tend to place their mobile ads through these shortlisted distributors. During the Track Record Period, our Group was a shortlisted distributor of some of these dominant market players and we were able to distribute mobile ads on certain media platforms which are commonly used by mobile users in the PRC.

It is our business strategy to develop and maintain an extensive network for distribution of mobile ads on a balanced mixture of media platforms with different contents and nature, whereby mobile ads can be placed on media platforms commonly used by mobile users with stable and large traffic as well as media platforms used by mobile users with specific common interests with relatively positive growth potential. Being a distributor of 6 media publishers as at 30 September 2023, we have access to a range of advertising space on media platforms of different contents and can reach mobile users with diversified interests, whilst we may also collect and analyse proprietary statistics of different mobile users on such media platforms, thereby enabling us to customise our mobile advertising solutions for our customers to better meet their advertising needs and achieve their goals. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. We have expanded our network for distribution of mobile ads during the Track Record Period. With such network, we can distribute mobile ads on different short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. We review the mixture of media platforms from time to time and develop our distribution network to reach mobile users with different interests. In January 2023, we became a direct distributor of a new media publisher and expanded our network for distribution of mobile ads to a social media platform, which provides financial and wealth management information to mobile users. In March 2023, we became a direct distributor of another new media publisher, which is a member of a Chinese language internet search provider based in the PRC. Such media publisher operates a popular search-plus-feed app in the PRC with MAUs of 648 million in December 2022. As the direct distributor of such media publisher, we can place mobile ads on such search-plus-feed app which enables users to find information online, including webpages, news, images, documents and multimedia files, through links provided on its website. Having considered the popularity and MAUs of such media platform, we believe that our mobile ads can reach a larger group of mobile users and better satisfy the needs of our customers. With an expanded distribution network, we can distribute mobile ads directly on more than 30 media platforms as at 30 September 2023. Our Directors believe that having an established network for ad distribution with a mixture of different media platforms is beneficial to our business expansion in the fast developing mobile advertising industry in the PRC. We may also offer our customers with wider choices of media platforms to cater for their different advertising needs and goals, which would not only enable us to capture additional business opportunities, but would also enhance our competitiveness in the industry so that we can compete with different market players in the mobile advertising industry which is fragmented and competitive.

We are recognised as a distributor of our media partners either through the tender process or commercial negotiations. We would receive invitations from media partners from time to time to submit tenders to become their distributors. The criteria of being distributors of different media partners for distribution of mobile ads on different media platforms may vary. In general, media partners would consider the eligibility of the applicants by taking into account factors including (i) historical advertising transaction amounts; (ii) quality; (iii) source from customers; (iv) manpower, in particular the number of sales personnel and project enhancers; (v) financial credibility; and/or (vi) market reputations. If we consider that being a distributor of these media partners would be beneficial to our business in terms of rebate rates and/or credit terms, we would submit applications, along with relevant supporting documents and/or proposals, for the purpose of initial screening.

Our media partners' eligibility criteria of distributors may vary from time to time due to the change of their business needs. In May 2023, we ceased to be the direct distributor of Supplier A. See "Suppliers — Cessation of our business relationship with Supplier A" in this section. Our Directors confirmed that we have not been deprived of our status as a distributor by our media partners during the term of our distributorship nor received any material complaints from our media partners during the Track Record Period and up to the Latest Practicable Date.

Our purchase of advertising space from our top media partners would be affected by the need of our customers on placement of mobile ads on media platforms and their marketing goals. We acquire user traffic (i) from our media publishers as direct distributor and (ii) from media agents who can provide us with advertising space of other media publishers that we are not their direct distributors. Given that we are exposed to various financial, credit and liquidity risks during the course of our business, we would also acquire user traffic from media agents, which can offer favourable credit terms, for the purpose of our financial management. We are committed to maintaining our business relationship with our top media partners and we enhance our ad content production capacity from time to time to facilitate the monetisation of user traffic on media platforms of our media publishers for the mutual benefit of our Group and our media publishers. Our ability on monetisation of user traffic on media platforms are recognised by our media publishers. See ''Competitive strengths — Ability to provide tailored and all-rounded advertising solutions supported by our in-house content production team''.

Ability to provide tailored and all-rounded advertising solutions supported by our in-house content production team

Our mobile advertising services are supported by our in-house content production team for creation and design of ad contents in different formats (such as texts, images and/or short videos), which are tailored to meet marketing goals of our customers. Our in-house content production covers design, filming and post-production of mobile ads, including sound and image post-processing. Leveraging on our production capacities, we are capable of producing ad contents and ad creatives in different formats which are tailor-made to meet diverse demands of customers. For further details of our in-house ad content production services, see ''Ad content production capacity'' in this section.

According to the iResearch Report, given the high penetration rate of mobile phones and the increasing adoption of 5G mobile technologies with higher internet speed, mobile users tend to view more videos on their mobile phones in replacement of still images. The market size of mobile advertising industry in the PRC increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022 with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. With the increasing power and popularity of mobile devices and user migration pattern across media platforms, the share of mobile advertising market has gradually increased in the advertising industry. Mobile advertising market accounted for approximately 88.9% of the online advertising industry in China in 2022 and it is expected to account for approximately 87.8% in 2027. In view of this trend, as an expansion of our service offerings, we commenced production of mobile ads in short video format in 2018 and set up a video production base with diverse shooting scenarios of different themes in Beijing in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development. As at 30 September 2023, our content production team comprised 29 staff and we have 1 production base located in Changsha, Hunan, the PRC. During the Track Record Period, we were able to expand our video production capacities successfully. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we produced more than 19,000, 41,000, 50,000 and 61,000 video clips, respectively. Leveraging on our in-house content production capacities, we currently offer our short video clip services to serve different customer needs as part of our mobile advertising solutions services. To meet demand from customers, our Group also offers in-house video production as a standalone service.

With our in-house video production capacities, our Group can provide mobile advertising solutions services to our customers, from project planning, idea generation, scripts writing, video filming and editing, post-production of video to distribution to mobile ads in video format on media platforms, subject to our customers' needs and budget plans. The offer of video production enriches our service offerings and enables our customers to outsource the whole marketing campaign to us, and thereby increase their reliance on our Group and enhance our profitability. We are able to provide tailored and all-rounded advertising solutions to meet the needs of our customers and expand our mobile advertising solutions services business. We had a growth in our revenue from provision of mobile advertising solutions services during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB325.7 million and RMB477.3 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.9% and 96.0%, respectively.

Our in-house production capacities have contributed to the growth of our business during the Track Record Period. We will continue to closely monitor our customers' needs and demands and, to our best effort, increase our service offerings to meet market demand and expand our customer base. Although we are a relatively small market player in the mobile advertising industry which is fragmented and competitive, we focus our resources to expand our production capacities and enhance our value-added services so as to differentiate ourselves from our competitors. We also put significant effort to understand the products and brands of our customers and the habits of mobile users when we develop and create mobile ads so that our mobile ads can achieve marketing goals of our customers efficiently.

Our in-house production capacities are well recognised by our suppliers. In 2020, we received the credit as "Outstanding Business Partner (傑出合作夥伴)" from our media publisher, namely Alibaba Group. In 2021, we were awarded as "The Most Creative Agency (最具創意代理)" of our media publisher, namely Alibaba Group. In 2022, we received the "Creative Marketing Case Award (創意營銷案例獎)" and the "Content Creation Award (內容創造獎)" from our major media publishers. And, our ad content production capacity is well recognised by our media publishers. In the "Creative Marketing Case Award (創意營銷案例獎)", we were recognised by our media publisher that we had thorough understanding of habits of mobile users and with the use of data and resources from the media publisher, we can produce mobile advertising campaign that are creative and attractive. We can optimise the marketing effect of our mobile ads and enhance brand awareness of our customer's brand and achieve marketing results that are beyond expectations. In the "Content Creation Award (內容創造獎)", we were recognised by our media publisher that we have in-depth understanding of our customers' products and were able to create mobile ads that are effective and can enhance monetisation of user traffic on media platform efficiently. In 2023, our mobile ads were recognised and selected as "Top 15 in the Marketing Case Competition Award for the Year of 2023 (2023年營銷大賞案例大賽前十五大)" by our media publisher, namely Alibaba Group.

Leveraging on our content production capacities, we can establish business relationship with top media publishers and can successfully expand our network for ad distribution. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Furthermore, our competent production capacities are recognised by other industry players in the advertising industry. During the Track Record Period, we were engaged by other media agents, which are also mobile advertising service providers, to provide mobile advertising solutions services and video production services to their advertisers.

Established business relationship with customers of different scale and advertising needs

We offer mobile advertising solutions services to our customers with a focus on in-feed advertising. Over the years of our operation, we have accumulated extensive experience in provision of mobile advertising services and understanding marketing needs of customers from different industries. We are able to provide in-feed advertising services, which are tailor-made to achieve our customers' marketing goals and improve their ROI.

During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software developers, leading content app developers in the PRC and members of companies listed on recognised stock exchanges. We generally entered into annual framework agreements with our major customers during the Track Record Period and some of the framework agreements contain a term on minimum purchase amount of services by our major customers from our Group. It proves that our services are well recognised by our major customers and we are able to offer quality services to them to meet their marketing needs. Leveraging on our ability to provide quality mobile advertising solutions services, we have maintained business relationship from about 1 to 6 years with our 5 largest customers in each year/period during the Track Record Period. From time to time, we provide reports to these customers and analyse the latest market trends and mobile users response to the ad placements, and made proposals to them to increase the ad effectiveness and improve their ROI. We expanded our business on provision of mobile advertising solutions services during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB325.7 million and RMB477.3 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.9% and 96.0%, respectively.

For details, see ‘‘Our customers — Key terms of agreements with our customers’’ and ‘‘Customers — Customers concentration’’ in this section.

Dedicated and stable management team

We have a dedicated and stable management team since our operations in 2015 which has been essential in driving the growth of our business. Mr. Zhao, our chairman of the Board, has extensive experience in sales and marketing in the technology and internet industries in the PRC for more than 15 years. Prior to joining our Group, he worked at a subsidiary of Alibaba Group and various communication engineering companies. Mr. Yu, our chief executive officer, has also accumulated approximately 20 years of experience in sales and marketing in the technology and internet industries in the PRC. Prior to joining our Group, he served as the deputy general manager and supervisor for various technology and mobile communication companies which are specialised in online sales and distribution services. Both of Mr. Zhao and Mr. Yu have extensive working experience in the technology industries and are able to understand the marketing needs of companies in the technology and internet industries. Mr. Nie, our chief operating officer, also has extensive knowledge and experience in business management and development in the media and technology industries in the PRC for over 15 years. He served as the operations deputy director of a media company providing premium content on an integrated internet platform for about 6 years and was responsible for sales and marketing growth. Before that, he worked in software and technology companies and was responsible for providing platform development services. He has thorough understanding of the operation of media platforms and the habits and preferences of mobile users. We believe that our Directors' industry experience is a major factor contributed to our growth. Our senior management have at least 5 years of experience with us. Leveraging on the in-depth understanding of our management in the marketing, technology and internet industries, we believe that we are able to provide mobile advertising services which cater for the needs of our customers.

In view of the foregoing, we believe that our management team's in-depth experience and their strong executive capability in enhancing our business as a whole has provided us with valuable industry insights and expertise, which enable us to stand out from our competitors, manage our operations efficiently and successfully implement our strategies and future plans under their leadership.

STRATEGIES AND FUTURE PLANS

Our goal is to maintain and strengthen our position in the mobile advertising industry in the PRC and to further expand our market presence. To achieve this goal, we plan to pursue the following business strategies.

Continue to expand our mobile advertising business in the PRC

We will continue to expand our mobile advertising business in the PRC. According to the iResearch Report, the market scale of mobile advertising industry in the PRC increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022, with a CAGR of approximately 25.0%. From 2023 to 2027, the market size of mobile advertising industry is expected to grow at a CAGR of approximately 8.7% and will reach approximately RMB1,407 billion in 2027. We intend to capture business opportunities arising from the expected growth in the mobile advertising industry through the following strategies:

- ***Expand our mobile advertising solutions services:*** During the Track Record Period, we experienced a growth in the demand for our mobile advertising solutions services and our mobile advertising solutions services contributed significantly to our business. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB325.7 million and RMB477.3 million, respectively. According to the iResearch Report, advertisers are in greater need of value-added services from mobile advertising service providers, such as creative planning of ad campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness. Also, the provision of one-stop mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC and the barriers to entry into the mobile advertising industry include content production and advertising creative ability and service and in-feed advertising optimisation capacities.

  In view of the above, we will continue to expand our mobile advertising solutions services to enhance our competitiveness and expand our market share in the mobile advertising industry. To expand our mobile advertising solutions services, we will leverage on our in-house content production capacities to provide tailored and all-rounded services to customers. We will keep ourselves abreast of the latest market trends and developments in the mobile advertising industry so that we can formulate marketing plans and produce ad contents that are creative and attractive to maximise the exposure of mobile ads of our customers. Moreover, our in-house production capacities are well recognised by our customers. To meet customers' demand for our services, we provided our customers with standalone in-house video production services during the Track Record Period. As part of our mobile advertising solutions services, we enhance and optimise the effectiveness of mobile ads to achieve customers' marketing goals and provided standalone services on ad optimisation during the Track Record Period. See "Ad content production capacity" and "Ad optimisation" in this section. We will continue to provide these standalone services to customers to meet their needs. Further, we will leverage on our established network on distribution of mobile ads to attract new business. Such network cover different short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. These media platforms provide different contents to attract a wide spectrum of mobile users with diverse habits and preferences. We believe that, with such network, we can enhance exposure and advertising effect of mobile ads to meet our customers' marketing goals. We will continue to explore business opportunities with new and existing customers and provide our mobile advertising solutions services to customers and place mobile ads through our distribution network to achieve our customers' marketing goals.

- ***Serve customers with greater advertising needs for our advertisement distribution services:*** The majority of our customers in 2020 had a low contribution to our revenue. In 2020, 203 customers (being approximately 85% of our total number of customers) engaged our Group for advertisement distribution services, but only accounted for approximately 9.1% of our total revenue for the year ended 31 December 2020. It exposed our Group to credit and liquidity risks because we may need to make prepayments to suppliers for these customers before arranging for bidding of advertising space. Thus, we expanded our mobile advertising solutions services and provided advertisement distribution services to customers, which were generally of greater advertising needs. We will leverage on such experience and continue to serve customers with greater advertising needs for our advertisement distribution services. We would retain and deepen our business relationship with existing customers, which have records on higher gross spending with us and advertising needs and plans for promotion of their products and/or services. We would also explore business opportunities with customers from fast-growing industries, such as companies from technology and internet services industry, as they tend to have greater advertising needs for development and growth of their business.

  Our management also believes that such strategy is substantiated as follows:

  (i) Increase in our average revenue per customer for advertisement distribution services

  With our strategy to serve customers with greater advertising needs for our advertisement distribution services, there was an increase in the average revenue per customer from advertisement distribution services for the years ended 31 December 2020, 2021 and 2022, which is measured by our total revenue generated from our advertisement distribution services divided by the number of customers for such services. For the years ended 31 December 2020, 2021 and 2022, our revenue generated from advertisement distribution services amounted to approximately RMB34.2 million, RMB36.9 million and RMB38.4 million, respectively. For the years ended 31 December 2020, 2021 and 2022, we had 203, 189 and 114 customers for our advertisement distribution services, respectively, and the average revenue per customer therefore amounted to approximately RMB169,000, RMB195,000 and RMB337,000, respectively. With such strategy, we can focus our resources on exploring business opportunities with new customers with greater advertising needs. We recorded a significant increase in the average revenue per new customer for advertisement distribution services from approximately RMB129,000 for the year ended 31 December 2020 to approximately RMB165,000 for the year ended 31 December 2021 and approximately RMB1.1 million for the year ended 31 December 2022, respectively.

  (ii) Increase in number of customers with greater advertising needs

There was an increase in the number of customers with greater advertising needs (i.e. customers with revenue contribution of over RMB1.0 million) for the years ended 31 December 2020, 2021 and 2022. For the years ended 31 December 2020, 2021 and 2022, the number of customers with revenue contribution over RMB1.0 million increased from 30 to 32 and further to 57, respectively. In addition, the number of new customers with revenue contribution over RMB1.0 million also increased from 11 to 16 and further to 18 in the years ended 31 December 2020, 2021 and 2022, respectively. We also focused our resources in serving a new customer, namely Customer M, which had contributed over RMB202.8 million of our total revenue for the nine months ended 30 September 2023.

In light of the foregoing and having considered the growth of our business during the Track Record Period, we will continue to serve customers with greater advertising needs in general.

Our management believes that to be able to serve more customers during our business expansion, we need sufficient funds to finance our prepayments to suppliers and to maintain the health of our cash flow. There is a time lag between the purchase of advertising space from media partners and the receipt of payment from customers. Some of our media partners require our prepayment for acquisition of advertising space. See "Working capital cycle" and "Our customers" in this section. As at 31 December 2020, 2021 and 2022 and 30 September 2023, our prepayments to suppliers amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB334.5 million, representing approximately 38.3%, 38.6%, 50.0% and 58.5% of our total assets, respectively. Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It primarily included (i) the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers and (ii) the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. The increase in our prepayments to suppliers was mainly attributable to prepayment to suppliers of our advertisement distribution services to meet the expected demand for our mobile advertising services and the growth of our business during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the cost of services attributable to media partners which required prepayment accounted for approximately 38.4%, 38.2%, 35.4% and 62.3% of our total cost of services attributable to media partners, respectively. As at the Latest Practicable Date, the net proceeds of our Group are not earmarked for prepayment to any specific media publishers.

In view of the above, we need additional funds to facilitate our business development. We intend to apply approximately RMB30.1 million (representing approximately HK$32.6 million) from the Global Offering (representing approximately 30.0% of our net proceeds from the Global Offering) to finance our prepayments to suppliers to facilitate the expansion of our mobile advertising business;

- ***Expand our network for ad distribution:*** We believe that a network for ad distribution is crucial to our continuous growth and development in the industry. With a network for ad distribution, we are able to place mobile ads on a variety of media platforms with different contents, thereby our mobile ads could reach a more diverse group of target audience and better satisfy the specific needs of our customers. During the Track Record Period, we were able to expand our network for ad distribution successfully. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of

3, 5, 5 and 6 media publishers, respectively. We will maintain our business relationship with our existing media partners and continue to explore opportunities to diversify and expand our ad distribution network. In addition to maintaining our extensive network for ad distribution, we also plan to expand our network by increasing the number of our media publishers to reach mobile users with more diversified interests that may present us with potential marketing opportunities. We intend to expand the number of our media publishers to 7 and expand our network for ad distribution on various social media or short video platforms in the foreseeable future. Besides, we plan to seek business opportunities with some of the leading mobile manufacturers in China to place mobile ads on their built-in app stores and to become their distributors for in-feed mobile ads. Further, we plan to explore strategic business opportunities to cooperate with overseas media platforms, for instance the app stores which operate the search engine platforms and DSP system. Our media partners generally require us to provide refundable deposits to them. As at 31 December 2020, 2021 and 2022 and 30 September 2023, our deposits paid to media partners amounted to approximately RMB20.9 million, RMB22.5 million, RMB10.0 million and RMB7.8 million, respectively. See "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus. We would expand our ad distribution network from time to time and as and when opportunities arise. Our Directors confirmed that during the Track Record Period, we only expanded our distribution network based on our available resources and there was no significant difficulty in our expansion of our ad distribution network due to the limited funds. However, with additional funds, we can further expand our ad distribution network gradually and capture more business opportunities for the expansion of our business. To expand our network for ad distribution, we need additional funds for use as our refundable deposits to media partners. We intend to apply approximately RMB6.0 million (representing approximately HK$6.5 million) from the Global Offering (representing approximately 6.0% of our net proceeds from the Global Offering) to finance our payment of refundable deposits to media partners when we expand our network for ad distribution; and

- ***Expand our operation to support our continuous growth:*** To expand our capacities to serve more customers, we will increase our marketing efforts to maintain our business relationship with existing customers and will explore business opportunities with new customers which are companies in fast-growing industries with advertising needs. We plan to expand our sales and marketing team gradually by recruiting (i) 1 additional sales director with approximately 5 to 7 years of industry experience, (ii) 4 additional sales managers with approximately 3 to 5 years of industry experience and (iii) 8 additional sales assistants with approximately 1 to 2 years of industry experience for the year ending 31 December 2024. To expand our network for ad distribution and explore new media platforms, we would assess new market trends and behaviour of mobile users from time to time and would seek business opportunities with new media partners. We also plan to expand our media platform management team by recruiting 1 additional assistant director with approximately 5 to 7 years of industry experience and 1 additional manager with approximately 3 to 5 years of industry experience for the year ending 31 December 2024. We intend to apply approximately RMB4.0 million (representing approximately HK$4.3 million) from the Global Offering (representing approximately 4.0% of our net proceeds from the Global Offering) for expansion of our operation to support our business development and continuous growth in the mobile advertising industry.

Continue to expand our short video production capacities

After having accumulated solid experience in provision of mobile advertising services to customers, we expanded the format of our mobile ads to cover short videos in 2018. We intend to devote more resources to expand our video production capacities to capture business opportunities arising from our growth and development through the following strategies:

- ***Develop our production base and enhance our shooting scenarios and filming facilities:*** To facilitate our growth, we relocated our production base to a larger premises in Changsha, Hunan, the PRC, in September 2022. Our Directors are of the view that Changsha is a production base of the media industry in the PRC with broadcasting companies and media companies located in Changsha and, thus, we could hire suitable personnel with relevant work experience in video production in a timely manner. Moreover, the operating costs, including rental and labour costs, in Changsha are generally lower than that in Beijing. Having considered the availability of suitable personnel with video production experience in Changsha and the rental cost in Changsha, which is comparative lower than that in Beijing, our Directors are of the view that the relocation of our production base from Beijing to Changsha is cost-effective and beneficial to our business operation. The lease term of our production base in Changsha is 2 years, which is common in the rental market. Having considered the availability of similar premises in Changsha, our Directors are of the view that we can renew our lease at the same location before its expiry and we do not foresee any difficulty for our Group to find another suitable replacement at comparable costs even if we are unable to renew the existing lease. We plan to develop diverse shooting scenarios of different themes and upgrade on-site filming facilities at our production base gradually. We intend to apply approximately RMB8.0 million (representing approximately HK$8.7 million) from the Global Offering (representing approximately 8.0% of our net proceeds from the Global Offering) for the development of our production base in Changsha and to develop various shooting scenarios and update our on-site filming facilities. The actual use of our leased properties in Changsha is not consistent with the designated use of such premises. See "Legal proceedings and compliance — Inconsistency between the actual use and the designated use of the leased properties" in this section. The equipment and facilities to be procured with the use of proceeds from the Global Offering are primarily cameras, lighting equipment and facilities, softwares, costumes and props and other filming related equipment. We consider that these equipment and facilities can be used in other properties if we relocate our production base to other properties;

- ***Expand our content production team:*** With an increase in demand for mobile advertising services, we will expand our content production team to support the growth of our business. We plan to expand our content production team gradually by recruiting 38 additional staff for the year ending 31 December 2024. It will include 1 filming director with approximately 3 to 5 years of industry experience, 1 animation designer with approximately 1 to 2 years of industry experience, 2 editors with approximately 1 to 2 years of industry experience, 3 designers with approximately 1 to 5 years of industry experience, 5 camera operators with approximately 1 to 5 years of industry experience, 7 staff for post-production work with approximately 1 to 5 years of industry experience, 8 scriptwriters with approximately 1 to 5 years of industry experience, and 11 supporting staff with approximately 1 to 5 years of industry experience. We believe that with an expansion of our content production team, we can enhance our production capacities and increase the variety of our mobile ads in different formats to meet our customers' demands. We intend to apply approximately RMB8.0 million (representing approximately HK$8.7 million) from the Global Offering (representing approximately 8.0% of our net proceeds from the Global Offering) for the expansion of our content production team;

- ***Enhance our production quality:*** We plan to enhance the quality of our video production by purchasing new equipment such as professional cameras and lighting system, advance software for video production and editing and other necessary equipment and software. We intend to apply approximately RMB4.0 million (representing approximately HK$4.3 million) from the Global Offering (representing approximately 4.0% of our net proceeds from the Global Offering) for the purchase of new equipment and software to enhance our production quality.

Enhance and upgrade the functions of our self-developed platform

We believe that with the support of an upgraded information technology system, we can expand our business and scale of our operation more efficiently and effectively. Currently, our self-developed platform has integrated applications for our internal use as our ERP (enterprise resource planning) system to manage and operate our business systematically. Such platform is currently developed, enhanced and maintained by our in-house technology support and development team, which comprises 8 staff as at 30 September 2023 and the majority of them graduated from computer science or other relevant discipline with more than 3 years of relevant work experience in this industry. With an in-house team, we can develop and customise a platform with different features to meet our business needs from time to time. The major features of our platform cover accounting and financial management, operation and order management, data management and customer information management. Through this platform, we can integrate performance data of our mobile ads from our media partners, analyse performance data for optimising overall results of mobile ads, review and oversee status of customers' orders and record our operating data and financial data. It also assists us in the management of resources for our production of mobile ads. This platform is necessary to our operation and, in response to our business needs, we intend to enhance and upgrade our self-developed platform by implementing the following plans:

- ***Expand functions of our self-developed platform for internal use:*** We plan to upgrade our existing platform by expanding its functions so that the system can automate the collection of traffic usage data and behaviour data of mobile users from media platforms operated by our media publishers. We can then analyse various data for our internal use to formulate mobile advertising solutions in a timely manner. We intend to include algorithm capacities to our platform so that it can process various data, such as performance data and behaviour data, to enhance the accuracy of market analysis and to keep us abreast of the latest market trends and developments. We believe that with an upgraded platform, we can design and formulate more effective mobile advertising solutions to better serve our customers and achieve advertising goals. Such platform can also perform analysis on the performance of mobile ads on a real-time basis. The real-time data will be useful for reviewing the performance and effectiveness of our ad placements and it will enable us to adjust the bidding price and the ad placements to meet our customers' expectations and enhance their ROI. With our upgraded systems, we believe that we will be better positioned to (i) gain a better insight and understanding on the needs and marketing goals of our customers; (ii) produce suitable mobile ads according to the latest market trend; and (iii) provide more customised mobile advertising solutions to our customers, all of which can enhance our customers' experience with us. Furthermore, with the data collected from the upgraded system, our project enhancers will be able to obtain useful information in the post-publication stage, which allows them to analyse the responses of mobile users on our ad placements over a period of time with different layout, topics and design of ads, etc., so that we could adjust and refine the advertising strategies and ad placements for better effectiveness. Based on the information retrieved from our upgraded systems, we can then give a better bidding price and propose more customised mobile advertising solutions to our customers to better meet our customers' expectations and enhance their ROI. Moreover, in view of regulatory development of internet advertising which may specify details on the rules of conduct for commercial advertising activities, we would adopt an automatic ad contents review function on our existing platform. See "Regulatory development of internet advertising" in this section. Such function will be capable of conducting multi-dimensional risk review on the ad contents whether in the form of text, image, audio or short video and provide various capabilities of detecting and identifying the illegal ad contents, such as pornography and information which may carry ethnic, racial, religious or sexual discrimination, which can reduce our labour costs and strengthen our Group's efficiency in examining the materials (including documents and information) provided by our customers, improve the accuracy in reviewing the veracity of the ad contents and enhance our risk management and internal control in ad contents. We plan to engage an Independent Third Party to upgrade our system for internal use. We intend to apply approximately RMB9.5 million (representing approximately HK$10.3 million) from the Global Offering (representing approximately 9.5% of our net proceeds from the Global Offering) for upgrading the system of our self-developed platform for internal use.

- ***Expand functions of our self-developed platform for external use:*** We plan to upgrade our system with SaaS capacities by increasing our spending on research and development to expand new functions and enhance existing functions on our self-developed platform so that our customers can have access to our platform and we can obtain feedback from customers through the platform. We believe that with the function for creation of a feedback loop, we can evaluate the efficiency, effectiveness and quality of mobile ads and fine-tune our mobile ads whereas our customers can have access to our upgraded system via their electronic devices, such as mobile devices and computers. For our direct customers, they can monitor the whole production process of the mobile ads and review the ad performance. With such function, we can enhance the effectiveness and quality of our mobile ads and the efficiency of our operation and we can finalise and optimise mobile ads in a timely manner. According to the iResearch Report, one of the future trends for the mobile advertising industry will be the offering of marketing SaaS as part of the advertising services to customers. Marketing SaaS will cover a wide range of services, including strategic insight, content and creative, media and ads, and customer management, and it will (i) greatly improve campaign efficiency; (ii) reduce resource consumption; (iii) accumulate vital data assets; (iv) gain better transparency and instant feedback from campaigns; and (v) support marketing strategy optimisation. With the help of SaaS technologies, we will be able to provide our customers with mobile advertising solutions services and advertisement distribution services on DSP and SSP on a real-time basis to optimise their user experience with us and enhance their ROI.

We also plan to further apply SaaS technologies in our in-house video production. It will ensure our real-time sharing of key information to our customers and further promote the efficiency in our production and delivery of mobile ads. Such technology can create a closed data loop to both our customers and us to optimise the content production and customer communication process to enhance our work efficiency to shorten the turnaround time of our production of mobile ads and to enhance customer experiences. Together with the direct access to our in-house integrated system, our customers can directly place their advertising orders and have an instant overview of their ad inventory pricing, historical records and ad performance on our platform, and adjust their ad plans to enhance the overall ad results. Further, SaaS technologies can also provide precise and insightful marketing strategies and deliver customised advertising solutions tailor-made to address the diversified marketing needs of our customers. We plan to engage an Independent Third Party to upgrade our system for external use. We intend to use approximately RMB8.0 million (representing approximately HK$8.7 million) from the Global Offering (representing approximately 8.0% of our net proceeds from the Global Offering) for the upgrade of our self-developed platform for external use. We expect that such upgrade of our platform will be funded by the net proceeds from the Global Offering in full. In the event that the net proceeds from the Global Offering allocated is not sufficient to satisfy the total funding requirements for completing the upgrade or to enhance the intended features, we aim to fund the shortfall through variety of means including cash generated from operations and external financing and/or reallocate the net proceeds from the Global Offering. Further, we expect that upon completion of the upgrade, we may incur expenses on the maintenance and upgrade of the system on an on-going basis and the information technology system may also be subject to amortisation from its historical cost and, thus, it may increase our operating costs and reduce our total asset value on a year-on-year basis from accounting perspective; and

- ***Expand our information technology support team to maintain and enhance our platform:*** With an upgraded platform to facilitate our continuous growth in the mobile advertising market, our information technology support team will monitor the platform operation closely and provide necessary support to our staff and customers. Our information technology support team will also perform necessary maintenance and adjust or upgrade the functions of our platform from time to time. In this regard, we plan to expand our information technology support team by recruiting 14 additional staff for the year ending 31 December 2024. It includes 2 additional operating director with more than 7 years of industry experience; 1 additional operating manager with approximately 5 to 7 years of industry experience; 2 additional ad optimisation supervisors and 2 additional ad design supervisors with approximately 3 to 5 years of industry experience; 4 additional ad designers with approximately 2 years of industry experience; and 3 additional data analyst with approximately 1 to 2 years of industry experience. We intend to apply approximately RMB2.5 million (representing approximately HK$2.7 million) from the Global Offering (representing approximately 2.5% of our net proceeds from the Global Offering) for the expansion of our information technology support team.

Exploration of business collaboration and merger and acquisition opportunities with well-established companies

We plan to explore business opportunities to cooperate with media platforms with a focus on cross-border e-commerce markets. According to the iResearch Report, driven by (i) encouraging local brands going global strategy with China government policies; (ii) global digital population exceeded 4.9 billion in 2022; (iii) China supply chain upgrade and strong production capacity; and (iv) increasing number of brand monetisation channels, in particular media platforms continue to gain popularity, more and more Chinese brands are going overseas and sell their products on media platforms which reach consumers around the world. The market scale of PRC cross-border e-commerce industry has increased from approximately RMB2.8 trillion in 2018 to approximately RMB8.0 trillion in 2022, with a CAGR of approximately 30.3%. Benefiting from increasing penetration rate of online consumption, the cross-border e-commerce market scale is expected to grow at CAGR of approximately 18.9% from 2023 to 2027 and reach a market value of approximately RMB20.6 trillion.

Our management would explore potential business opportunities from time to time. In May 2022, we became a business partner of a popular video platform operated by our Customer A in markets outside of China and we can manage content creation and shoppable live stream production for retailers to sell their products on such overseas video platform. We only commenced such business on a trial basis from May to September 2022. We will continue to explore potential opportunities for business collaboration with well-established companies having mature and strong technology capabilities of cross-border digital marketing data analysis and marketing campaign optimisation that can enhance our overall technological capability and create synergy for us, to expand and diversify our business from upstream and downstream market participants.

Moreover, we intend to pursue merger and acquisition opportunities from upstream and downstream industry participants with principal business operation based in Beijing, Shanghai, Guangzhou and/or other major cities in the advertising and marketing industry in the PRC market to complement or enhance our existing business, further expand our business and optimise the results of our operations. We aim at acquiring or investing in 1 to 2 companies which are equipped with related value-added services such as ERP services for cross-boarder e-commerce and digital marketing data analysis and marketing campaign optimisation capabilities. The main features of the ERP system for cross-border e-commerce include, among others, automation and various management functions of products, orders, logistics and reporting on one unified interface system. Such companies would enhance our overall technological capability and create synergies with our existing business and can strengthen our solutions services and capacities which will enable us to create ad contents tailored to our target mobile users in specific local and/or overseas markets, such as marketing companies engaging in the provision of live streaming contents on the e-commerce platforms, with an established customer base, and marketing companies engaging in the provision of post advertising services for sale of products on overseas media platforms. We believe that our strengthened service capabilities in key overseas markets and selected regions in the PRC will enable us to grow and expand our customer base and our network for distribution of mobile ads and we will be better equipped for future competition. When selecting potential target companies for our merger and acquisition, we will consider and assess the following aspects of the targets: (i) scale of business including the number and size of customer base of the targets; (ii) relevant experience in the mobile advertising service and marketing industry; (iii) revenue, net asset value and overall financial performance with track record of at least 2 to 3 financial years; (iv) maturity and readiness of the platforms or systems used by the targets for operation of business and use by customers; (v) geographical location of customers of the targets; (vi) ability to create synergy with our existing business as our Group expected; (vii) the estimated value of equity interest or assets of the targets; (viii) our required capital commitment in the transaction; (ix) potential growth of the business; (x) customer relationship management with market recognition; and (xi) advanced technologies such as ERP system for cross-boarder e-commerce. According to the iResearch Report, there are numerous market participants which are of small scale and with growth potential in the marketing and mobile advertising industries in the PRC, and there are large number of potential targets which offers sufficient acquisition opportunities to our Group. Our Directors will continually monitor and assess the available opportunities and will further study the feasibility of our investment plan on particular targets, as well as whether they will create synergy with our business and expansion strategy as set out above, and proceed with the ones that our Directors believe are in the best interest of our Company and our Shareholders. There was no target identified and no negotiation, agreement, memorandum of understanding, or agreements of any sorts had been entered into as at the Latest Practicable Date. We believe that the increasing demand from advertisers in overseas markets in the PRC and globally will be a significant driver of our future business growth. We intend to apply approximately RMB10.0 million (representing approximately HK$10.9 million) from the Global Offering (representing approximately 10.0% of our net proceeds from the Global Offering) for the merger and acquisition opportunities in the advertising and marketing industry.

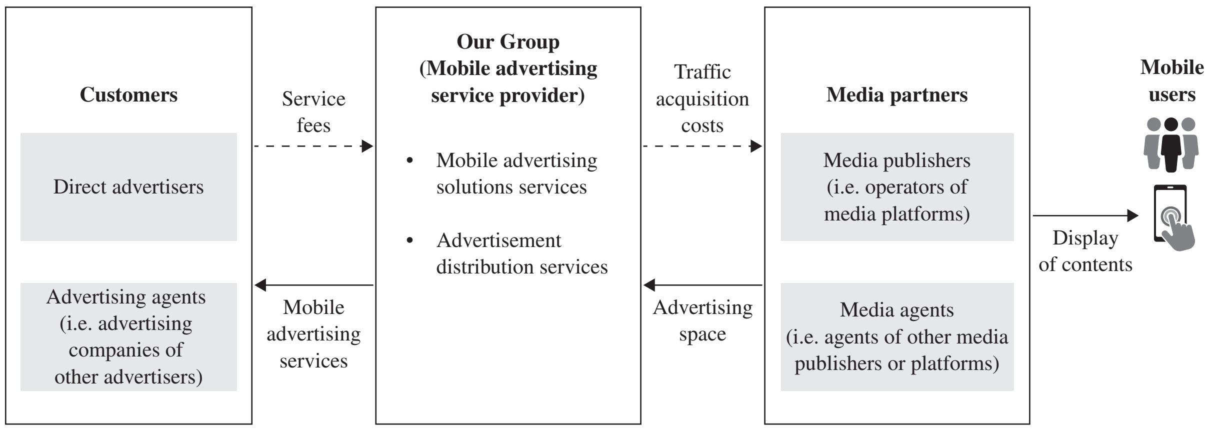
OUR BUSINESS

Business model

We provide comprehensive mobile advertising services to our customers for marketing of their brands, products and/or services on media platforms operated by our media partners. Our mobile advertising solutions services include mobile marketing planning, traffic acquisition, production of ad creatives, ad placements, ad optimisation, ad campaigns management and ad distribution. We aim at optimising mobile ads' publicity and maximising their exposure to target mobile users to achieve our customers' marketing goals and improve their ROI. We are capable of providing comprehensive mobile advertising solutions services as well as one or more of these services, such as production of ad creatives, ad optimisation and ad distribution, to customers to serve their different needs.

We generally place mobile ads directly with media partners which operate their media platforms (i.e. media publishers). The media platforms operated by our media publishers generally include search engine platforms, short video platforms and social media platforms. By acquiring advertising space, we offer our media partners opportunities to monetise their user traffic.

The following flowchart sets forth our business model for our mobile advertising services:



Note: ⟶ *Denotes flow of business*
- - - -▸ *Denotes flow of funds*

The followings are the key participants in the value chain of our mobile advertising services:

Customers

Our customers consist of direct advertisers and advertising agents on behalf of their respective advertisers. Advertisers are the initiators of the value chain who are in need of advertising solutions for promotion of their products and services as well as brand building. Advertisers who wish to approach mobile users tend to engage mobile advertising service providers or advertising agents for mobile advertising services because advertisers generally do not directly liaise with media publishers of major media platforms as they generally do not maintain a large team of manpower for handling ad placements requests and/or in-house production of mobile ads. Moreover, mobile advertising service providers can provide mobile advertising solutions services, which are tailor-made to address the marketing needs of advertisers.

For our mobile advertising solutions services, we are responsible for mobile marketing planning, ad production, ad placing, ad optimisation, ad campaign management and ad distribution. We optimise mobile ads' publicity and enhance their exposure to target mobile users through a wider range of media platforms operated by our media partners to achieve our customers' marketing goals and improve their ROI. For our advertisement distribution services, we distribute mobile ads by acquiring advertising space and placing mobile ads on media platforms for our customers.

Our Group

We are the bridge linking advertisers and media platforms. According to the iResearch Report, advertisers generally tend to transact with media platforms via advertising service providers instead of cooperating with media platforms directly, not only because direct cooperation may not be acceptable for some media giants, but also because mobile advertising service providers have established close relationship with top media platforms and are equipped with industry experience in provision of tailored and all-rounded mobile advertising services to advertisers. With our mobile advertising services, we can optimise advertising strategies, improve marketing efficiency and enhance the ROI of our advertisers. In addition to advertisement distribution services, we also provide tailored and all-rounded mobile advertising solutions services such as creative design, advertising strategies development, data analysis and other services. We can thus connect advertisers with top media platforms based on our established and stable business relationships with our media partners and optimise their mobile ad's publicity and help them to achieve their marketing goals by providing our mobile advertising services to them. Thus, advertisers generally engage our Group for services instead of direct engagement with media publishers. Moreover, according to the iResearch Report, it is uncommon and not economically efficient for top media publishers to transact with advertisers directly, as (i) they generally do not offer value-added services to advertisers as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve the desired results; and (ii) monetisation of user traffic is more economically efficient than provision of value-added services to advertisers.

Media partners

Our media partners mainly include (i) media publishers, being operators of media platforms, that need to monetise their user traffic through offering advertising space on their media platforms and (ii) media agents of other media publishers, including agents for distribution of mobile ads on advertising alliance platforms. We strategically focus on establishing business relationship with top media partners which operate leading search engine platforms, short video platforms, app stores and social media platforms in the PRC. These media platforms include some of the most popular platforms in the PRC and are commonly used by the public. To cater for different needs and advertising goals of customers, we also place mobile ads on advertising alliance platforms, which refer to associated advertising platforms comprising of a group of small- and medium-scaled websites or media platforms that target a particular group of mobile users with certain common interests. Our collaboration with media agents for distribution of mobile ads on advertising alliance platforms enables our customers to reach out to specific groups of mobile users to enhance advertising effectiveness.

Mobile users

Mobile users are the final consumers and the recipients of the mobile ads. We provide or distribute mobile advertising contents to mobile users through our media partners. Leveraging on our industry experience and our analysis on data of mobile users, such as their age, gender, demographics, individual preferences and other historical browsing behaviours, from the media platforms and our database, our marketing team can create marketing materials and contents which might be of the mobile users' interest and our content production team can produce and deliver customised mobile advertising solutions to our customers, after which our media partners will then feed such ad contents to the corresponding mobile users.

OUR MOBILE ADVERTISING SERVICES

Our mobile advertising services primarily include (i) mobile advertising solutions services and (ii) advertisement distribution services.

Our mobile advertising solutions services

We provide mobile advertising solutions services to our customers for promoting their brands, products and/or services on media platforms. Our mobile advertising solutions services include mobile marketing planning, production of ad creatives, traffic acquisition, ad placements, ad optimisation, ad campaign management and ad distribution. We are capable of providing comprehensive services as well as standalone services to customers to meet their different needs. We act as a principal. During the Track Record Period, we provided our customers with one or more of our all-rounded mobile advertising solutions services, such as purchase of advertising space from our media partners, video production and ad optimisation services. We recognise revenue from mobile advertising solutions services on gross basis.

Our revenue from mobile advertising solutions services accounted for approximately 90.9%, 92.1%, 92.2% and 96.0% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. The cost of our mobile advertising solutions services primarily include traffic acquisition costs, video production costs and employee benefit expenses. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our traffic acquisition costs accounted for approximately 97.0%, 96.7%, 96.9% and 97.6% of our total cost of services for the corresponding year/period, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our gross profit margin of our mobile advertising solutions services was approximately 12.4%, 13.1%, 14.2% and 12.0%, respectively. See "Financial information — Key components of our results of operations — Cost of services" and "Financial information — Key components of our results of operations — Gross profit and gross profit margin" in this prospectus.

Our advertisement distribution services

We offer advertisement distribution services as our standalone services. Such services include acquisition of advertising space and ad distribution. We act as an agent. We purchase advertising space from our media partners for our customers. It involves the practice of arbitrage where we purchase advertising space and sell them to our customers. We are committed to providing advertising space to our customers to maximise their exposure to target mobile users such that they can achieve marketing goals and improve performance. We recognise revenue from advertisement distribution services on net basis. Our media partners provide us with rebates. We may incentivise our customers by passing on a portion of the rebates to them. See "Pricing models — rebates" in this section.

Our revenue from advertisement distribution services accounted for approximately 9.1%, 7.9%, 7.8% and 4.0% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. The cost of our advertisement distribution services comprises traffic acquisition costs. The gross billing margin under advertisement distribution services, calculated as gross billing net cost of services divided by gross billing, was approximately 12.0%, 10.3%, 10.2% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. See "Financial information — Key components of our results of operations — Revenue" in this prospectus.

Our mobile advertising solutions services include advertisement distribution services as part of our services. Our costs for the mobile advertising solutions services and advertisement distribution services primarily consist of traffic acquisition cost for acquisition of advertising space from media partners.

The following table sets forth a breakdown of our revenue by service type for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000 (unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
Mobile advertising solutions services[1]	343,438	90.9	433,250	92.1	454,156	92.2	325,742	92.9	477,306	96.0
Advertisement distribution services[2]	34,229	9.1	36,930	7.9	38,414	7.8	24,929	7.1	19,955	4.0
Total	**377,667**	**100.0**	**470,180**	**100.0**	**492,570**	**100.0**	**350,671**	**100.0**	**497,261**	**100.0**

Notes:

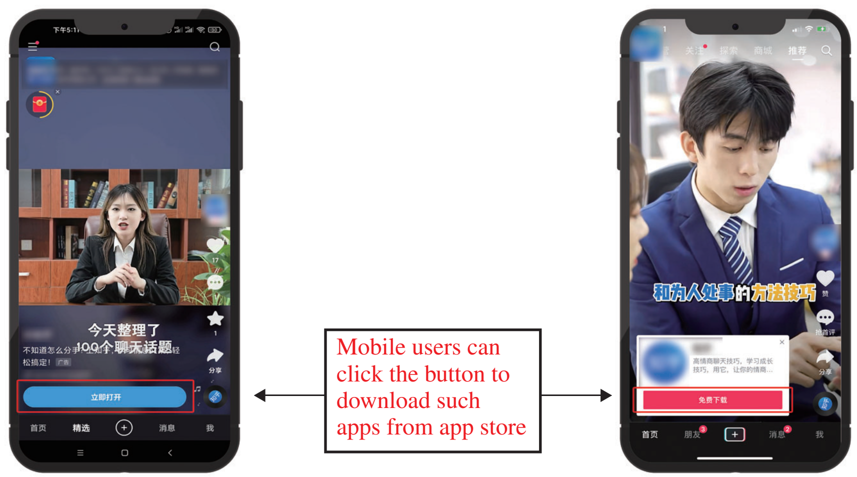
1. It included our revenue generated from the provision of comprehensive mobile advertising solutions services, which include the provisions of ad creatives and ad optimisation as standalone services. We have a role as principal in these transactions and our revenue from provision of these services is recognised on gross basis.

2. It included our revenue generated from the provision of advertisement distribution services as standalone services. We have a role as agent in these transactions and our revenue from the provision these services is recognised on net basis.

Key features of our mobile ads

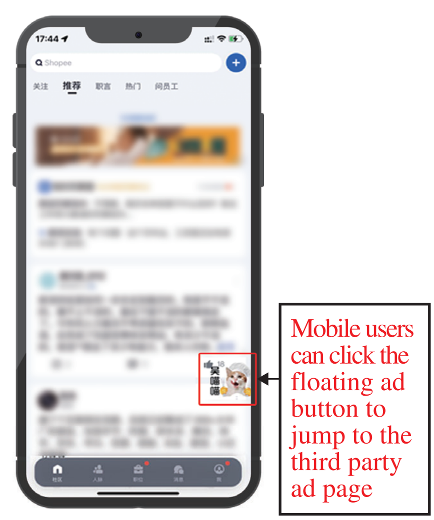
We provide our mobile advertising services with a focus on in-feed advertising. In-feed refers to the display of contents in apps and webpages on mobile devices. Mobile users can continuously obtain information through sliding down on the screen of their mobiles. In-feed contents can be divided into text, image and short video and such contents are integrated seamlessly in the content of the feeds on the media platforms, or consistent with the content components of the interface of the apps or webpages. In-feed ads refer to the mobile ads appearing in the information flow content. The mobile users can browse the advertising space in a fixed position by constantly refreshing the information flow content. Other than in-feed ads, we also design and produce pop-up ads and floating ads to meet different demand of customers for placement of ads on different media platforms.

The following screenshots are samples of our mobile ads for display on short video platforms and social media platforms and such mobile ads integrate seamlessly in the content on the media platforms based on habits and preferences of mobile users:



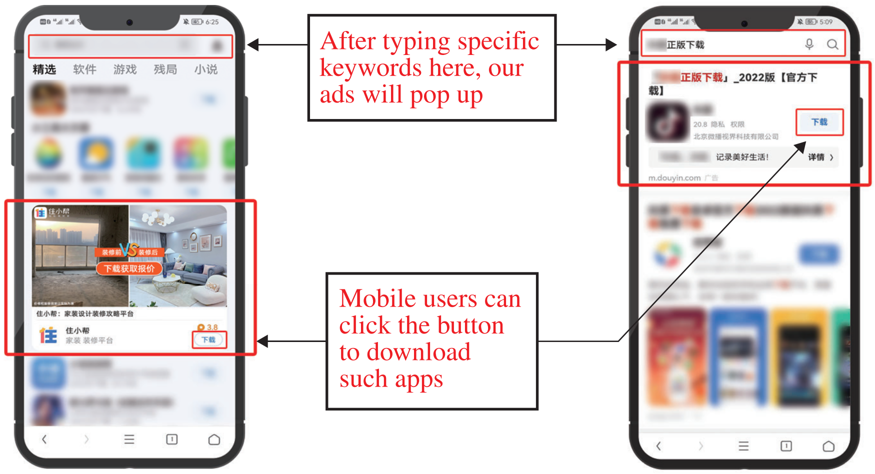
In-feed ads in video format

Pop-up ads in still image format



Floating ads in still image format

The following screenshots are samples of our mobile ads for display on app stores and search engines and mobile users can see our mobile ads when they use specific keywords for search on these media platforms:



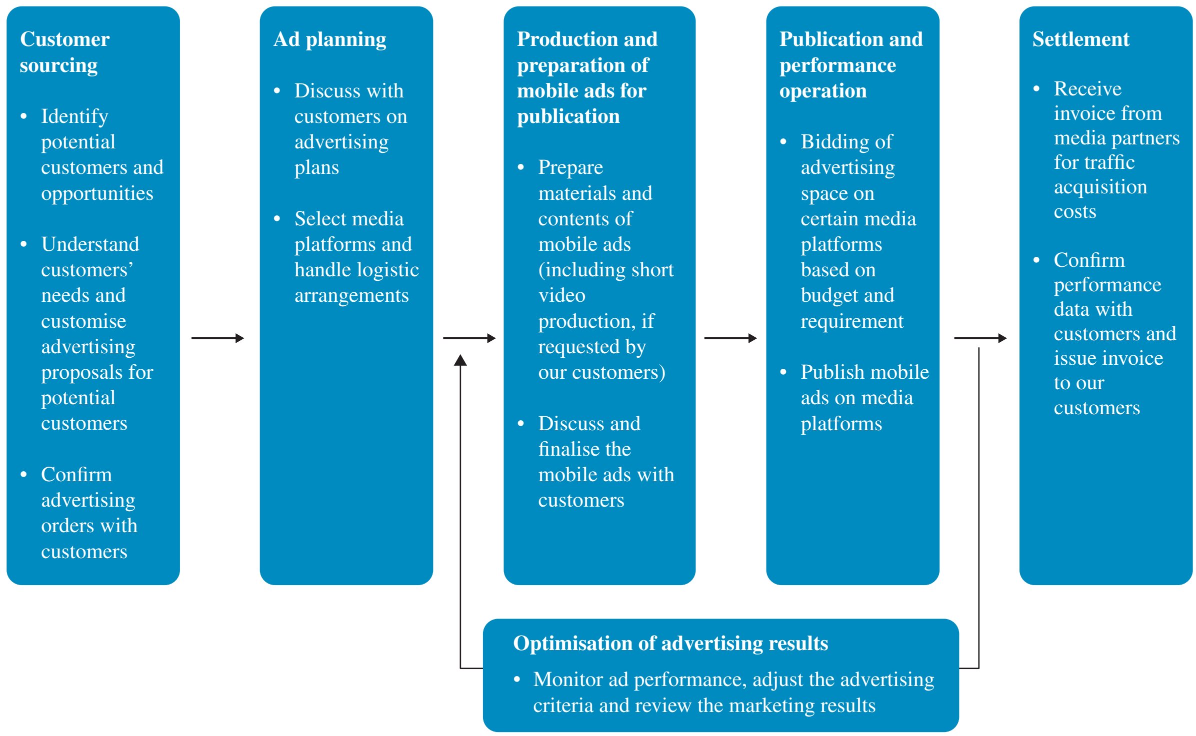
In-feed ads in still image format

In-feed ads in still image format in slideshow mode with audio function

Business process of our services

Mobile advertising solutions services

The following diagram illustrates the general flow of our full scope of mobile advertising solutions services:



Customer sourcing

(i) *Identify potential customers and opportunities:* Our sales staff from time to time extracts data of mobile users, such as the age, gender, demographics, individual preferences and historical browsing behaviours from media platforms and our database to better understand mobile users and market trend for formulating mobile advertising solutions. We source our potential customers from various channels. Some customers would invite us to submit quotations or bidding for their proposed ad placements. Our media publishers, for whom we act as distributor, may also introduce or refer potential customers to us for our mobile advertising services. The relationship with some of our customers may also be built by our sales and marketing team by attending industry conferences and meetings organised by our media publishers.

(ii) *Understand customers' needs and customise advertising proposals for potential customers:* Our sales staff then discuss and present our tailor-made proposals or tendering documentations to the potential customers with references to their expectations on KPI targets and ROI, budgets and the prevailing cost of advertising space, so as to better understand their needs and marketing goals in order to improve the effectiveness of their advertising placement in a more cost-effective way. Our sales staff then identify suitable media platforms based on historical traffic records and, as and when appropriate, we would propose the use of various media platforms for placement of mobile ads to increase marketing effectiveness.

(iii) *Confirm advertising orders with customers:* We conduct basic background check to determine customers' credit limit and/or prepayment of service fees (which may be required for new customers after having considered their financial position, credit records and transaction amounts with us). Then, our sales staff would generally arrange the signing of a framework agreement with our customers. Subsequently, we would confirm advertising orders with our customers in order to confirm our engagement in their ad campaign. See "Our customers" in this section for the key terms of the annual framework agreement.

Ad planning

(i) *Discuss with customers on advertising plans:* Our sales staff analyse the market data concerning these performance indicators extracted from the media platforms and gather information from the market to assess preferences of mobile users, market feedbacks and historical performance of different types of ad contents on the proposed media platform, such as impressions, click-through rates and download rates, etc. Our sales staff then customise a suitable advertising plan for our customers based on the formats and styles of how they prefer to display the mobile ads, ad contents, duration of the mobile ads, intended media platforms and their expected advertising budgets, etc.

(ii) *Select media platforms and handle logistic arrangements:* After discussing with our customers about their intended advertising plans and understanding their needs and strategies, our sales staff then suggest the appropriate media platforms for their ad placements based on certain factors, such as product nature, age group of the target audience, genre (such as gaming, news-feed or short video) and display formats of the media platforms, with an aim to achieve their advertising goals and maximise the ad's effectiveness. Following the selection of media platforms and confirmation of advertising orders, we then set up accounts for ad placements on the selected media platforms on behalf of our customers. We manually manage and operate these individual accounts opened with media publishers' advertising placement systems on a regular basis.

Production and preparation of mobile ads for publication

(i) *Prepare materials and contents of mobile ads (including short video production, if requested by our customers):* Our in-house content production staff designs and prepares the ad contents according to our customers' advertising needs and expectations. Some customers provide us with materials and/or then authorise us to further edit or process them to enhance the effectiveness of the ad contents. We also have our own production material database which facilitate the production of our mobile ads in an efficient manner, such as background music soundtracks for short video production. For those ad contents provided by our customers, our customers are contractually responsible for ensuring their compliance with national laws and regulations and not infringing any third party's intellectual property rights.

(ii) *Discuss and finalise the mobile ads with customers:* Our sales staff then conducts a final review on the ad contents with our customers and will follow up or modify the ad contents subject to their requests and then reconfirm with our customers if they are satisfied with the advertising plans and provide approval to us to finalise the ad contents to be published on media platforms.

Publication and performance operation

(i) *Bidding of advertising space on certain media platforms based on budget and requirement:* The operation staff (being our project enhancers) of our platform operation department will then follow up with the bidding of advertising space on the customers' preferred media platforms and basis of consumption according to the agreed pricing mechanism in terms of CPC, CPM, CPD, CPT and/or CPA. For bidding of advertising space, we would propose and discuss a price range for bidding with customers based on our experience and with reference to, among others, types of media platforms, types of mobile ads and publication time of mobile ads. See "Advertising space bidding process" in this section. After our customers agree on a price range for bidding of advertising space, our operation staff will create hashtags, titles, topics and key search wordings, etc. according to various criteria of the target mobile users, such as age group and/or gender, etc. in order to boost the click-through rates of the mobile ads, thereby increasing the marketing effectiveness of the mobile ads. We then input bid price of advertising space (e.g. advertising space to be consumed per click or download) on their ad placement systems based on the relevant criteria, such as the age group of the target audience, the topics that mobile users are interested in, for the desired advertising space. The selected media partners will then calculate the value of each bid offer on a real-time basis according to the bid value and the popularity of the mobile ads, and then allocate the advertising space with the desired volume of impressions to us based on their own proprietary methodology.

(ii) *Publish mobile ads on media platforms:* Our mobile ads are generally published or displayed on the selected media platforms on behalf of our customers for a period of time and we would closely monitor the performance of our mobile ads.

Optimisation of advertising results

(i) *Monitor ad performance, adjust the advertising criteria and review the marketing results:* Ad optimisation, primarily involves adjusting advertising criteria, to optimise the ad performance on a continuing basis after publication of mobile ads on media platform. The project enhancers of our platform operating department is primarily responsible for monitoring and evaluating the performance of mobile ads. After the publication of the mobile ads, our project enhancers will monitor and evaluate the effectiveness of the mobile ads (i.e. the number of effective results obtained by each of our media partners during the ad placements) periodically. We will then obtain those performance data from the media platforms on a continuing basis and store in our database for future review and analysis. Performance data, such as impressions, click-throughs and click-through rates, can serve as KPI metrics as references of the performance of the mobile ads and identify those key factors that may drive the popularity of the solutions and the factors that need further improvements. We also observe and identify possible frauds arising from abnormal numbers of results generated. To identify whether there is any possible frauds, our project enhancers would review the acquisition of advertising space on a real time basis and would observe whether there are any unusual movement in the acquisition price. Theoretically, when there are abnormal numbers of click-throughs, the price of advertising space may increase. Given that we have a price range for bidding of advertising space, our mobile ads would not be published on media platforms when the price of advertising space exceeds the acceptable price of our customers. As part of our optimisation services, we would generally review the demographical information (including age, gender and interest) of mobile users and performance data of mobile ads on daily basis to see the effectiveness of mobile ads and whether there are abnormal circumstances during the publication of mobile ads. We would then discuss the performance and effectiveness of our mobile ads and may adjust the bid price or criteria, advertising contents or other advertising criteria, such as age group of the target audience and/or publication time of mobile ads, in order to optimise the advertising results. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from our customers on the accuracy of performance data on media platforms. See "Advertising space bidding process" in this section. We offer 24/7 customer service to handle any urgent situations and respond to our customers instantly. Our customers may further adjust their advertising budgets from time to time based on the retention rate of mobile users and the effectiveness of the mobile ads, etc. We also provided ad optimisation services as standalone services during the Track Record Period. See "Ad optimisation" in this section.

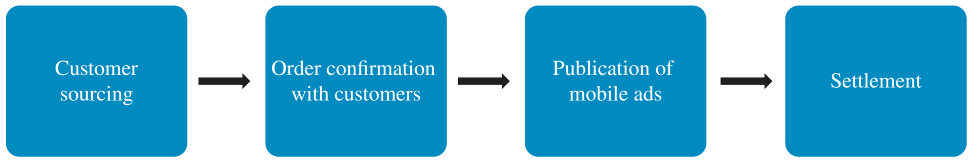
Settlement

(i) *Receive invoice from media partners for traffic acquisition costs:* Our media partners generally issue invoices to us on a monthly basis according to the performance data of the mobile ads shown on their advertising placement systems in terms of the performance indicators, including number of impressions, click-throughs and downloads, etc. We are generally required to settle invoiced payments within 90 days and our finance staff will then make payments to our media partners accordingly.

(ii) *Confirm performance data with customers and issue invoice to our customers:* Our finance staff check the aggregate amounts of traffic acquisition costs payable to our media partners based on the traffic data and the consumption of advertising space of our customers (i.e. monetising the advertising space consumed for publishing the mobile ads) in the accounts of our customers. We also confirm the performance data with our customers for purposes of billing. After confirmation, we will then issue invoices for our service fees to our customers on a monthly basis according to the agreed pricing arrangement, such as CPC, CPD, CPM, CPT and/or CPA. We usually offer customers of our mobile advertising solutions services with a credit period of up to 90 days.

In the provision of mobile advertising solutions services, we act as the principal in this arrangement and we generally provide mobile marketing planning, ad production, ad placement, ad optimisation, ad publication and/or overall management of ad campaigns, upon receiving ad campaign orders from customers. Subsequently, we monitor, collect, analyse ad performance data and optimise campaign performance. Under this arrangement, we have control in the specified service before that service is delivered to the customer and we, as the principal, have the power to control the process of content generation. Thus, revenue is recognised based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of rebates to our customers (if any).

Advertisement distribution services



For our advertisement distribution services, we are primarily involved in the publication of mobile ads on the targeted media platforms for our customers.

Customer sourcing

(i) Our sales staff from time to time participates in industry conferences and meetings held by our media partners, hence sometimes our media partners will refer business to us. Our sales and marketing team also makes use of their social and business network to procure potential customers and new business opportunities.

(ii) Our sales staff may discuss with the potential customers to understand their requirements and budgets.

Order confirmation with customers

(i) Similar to our customers under our mobile advertising solutions services, we may enter into annual framework agreements with our customers to provide them with advertisement distribution services.

Publication of mobile ads

(i) Once we secure an order with our customers, we will then finalise and confirm with our customers the details of publication, including the bidding price for advertising space and the selection of media platforms.

(ii) Upon confirming and finalising orders with our customers, we will arrange for bidding of advertising space and the publication of mobile ads on the selected media platforms based on instructions of our customers. If required by our customers, we would arrange for unique account opening and topping-up designated accounts on the selected media platforms. The publications of mobile ads for advertisement distribution services and mobile advertising solutions services are substantially the same. See "Business process of our services — Mobile advertising solutions services — Publication and performance operation" in this section.

Settlement

(i) Similar to our mobile advertising solutions services, we generally receive invoices from media partners for traffic acquisition costs on a monthly basis according to the performance data of the mobile ads shown on their advertising placement systems in terms of the performance indicators, including number of impressions, click-throughs and downloads, etc.

(ii) Our finance staff check the aggregate amount of traffic acquisition costs payable to our media partners based on the traffic data and the consumption of advertising space of our customers in the accounts of our customers. We also confirm the performance data with our customers for purposes of billing. After confirmation, we generally issue invoices to our customers on a monthly basis according to the agreed pricing arrangement, such as CPA, CPC, CPD, CPM and/or CPT. We usually offer customers of our advertisement distribution services with a credit period between 15 and 45 days.

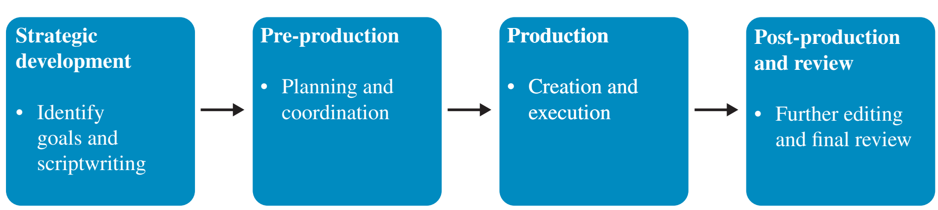
We distribute mobile ads on media platforms upon the receipt of ad campaign orders from customers and we do not control nor manage the overall ad campaign. We act as an agent and record the service fees received from our customers and the traffic acquisition costs paid to our media platforms for ad distribution on a net basis. Under these arrangements, rebates from media partners are recorded as our revenue in the consolidated statements of comprehensive income.

AD CONTENT PRODUCTION CAPACITY

One of our core strengths that make our mobile advertising solutions services stand out in the mobile advertising industry is supported by our in-house ad content production capacity. We are capable of producing ad contents and ad creatives in text, image and/or video formats. Our in-house content production team provides advertising solutions services to our customers, from project planning, idea generation, production of images and text creatives, characters pick, scriptwriting, video filming to post production of video, subject to our customers' needs and budget plans, which aims to maximise the effectiveness and performance results of our customers' advertising placement. To meet demand from customers, our Group also offers in-house video production as a standalone service. In such case, we are not involved in the publication of mobile ads on media platforms.

As at 30 September 2023, our content production team consists of 29 full-time staff, including scriptwriters, directors, editors and post-production crew.

The following flowchart sets forth the whole process for our ad content production services:



Strategic development

Identify goals and scriptwriting: Our content production staff start with mapping out the advertising strategies with our customers, creating the ideas and drafting scripts for the projects.

Pre-production

Planning and coordination: Our content production staff set a timeline for the project, engage suitable characters and finalise a desired location for shooting. We have an in-house shooting booth at our production base in Changsha, Hunan, the PRC.

Production

Creation and execution: Our production crew will generally create images and text for our mobile ads in still image format and/or conduct the filming with the cooperation of make-up artist, lighting, shooting team, and sound recording technicians for our mobile ads in video format. See "Short video production" and "Still image production" in this section. In addition, in order to make the mobile ads more user-friendly and more compatible, we customise the layout and format of the mobile ads posted on different media platforms.

Post-production and review

Further editing and final review: Our content production staff edit the production by sound editing, adding background music, adding texts, other audio and visual effects after completing filming. Subject to our availability of manpower and ability, if our customers request for services which we are unable to provide, such as adding special sound or visual effects, we will engage Independent Third Parties to render the required services relating to post-production.

We normally examine the ad contents produced in-house or provided by our customers according to our internal policies which focus on project management in respect of reviewing the ad contents, for instance, avoidance of inappropriate scenes or video shots, sensitive keywords or unsuitable presentation styles of mobile ads, etc., to ensure that the ad contents are in compliance with applicable national laws and regulations, ethical standards as well as the relevant internal policies of media publishers and do not constitute any infringement of the intellectual property rights in the PRC. In case the ad contents contain any inappropriate wordings or video shots, we shall substitute the same with suitable and proper wordings and to further edit the video shots by pixelating the images or removing those unethical scenes or video shots from the final ad contents to be published.

SHORT VIDEO PRODUCTION

According to the iResearch Report, given the high penetration rate of mobile phones and the increasing adoption of 5G mobile technologies with higher internet speed, mobile users tend to view more videos on their mobile phone in replacement of still images. In view of this trend, as an expansion of our services offering, our Group commenced production of mobile ads in short video format in 2018 and set up a video production base with diverse shooting scenarios of different themes in Beijing in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development. We plan to further expand our short video production capacities. See "Strategies and future plans — Continue to expand our short video production capacities" in this section and "Future plans and use of proceeds — Use of proceeds" in this prospectus. During the Track Record Period, we were able to expand our video production capacities successfully. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we produced more than 19,000, 41,000, 50,000 and 61,000 video clips, respectively. Our video clips usually last for 30 to 60 seconds, and our mobile ads in video format aims at catching the attention of their potential viewers within such period with creative contents and visual effects.

Leveraging on our understanding on mobile user behaviour based on our team's experience, our marketing team worked with our in-house content production team to develop ideas and plans for short video production from time to time. Our offer of short video production service enables our customers to outsource the whole marketing project to us, which helps them to reduce their coordination work with different parties, their administration work and cost, and thereby increases their reliance on our Group.

STILL IMAGE PRODUCTION

The display formats of mobile ads vary from video or slideshow ads, news-feed ads and app store ads, etc. Our ad content production capacity does not include only video-making, but also the production of mobile ads with images and texts creatives. The format of ad content presentation depends on the nature of the mobile ads. For instance, news-feed ad contains loads of information, thus it will be more user-friendly in the format of still image, i.e. images and texts only.

AD OPTIMISATION

As part of our mobile advertising solutions services, we monitor ad performance, adjust advertising criteria and review marketing results of mobile ads in order to optimise the ad performance. We perform our ad optimisation services on a continuing basis after publication of mobile ads. With such services, we can enhance and optimise the effectiveness of mobile ads to achieve our customers' marketing goals. We also provided ad optimisation services as standalone services to customers during the Track Record Period. When we provide ad optimisation services as standalone services, we are not required to acquire advertising space and, thus, no traffic acquisition cost would be incurred. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, there were 24, 10, 14, 8 and 25 customers which engaged us for our ad optimisation services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue generated from ad optimisation services as standalone services amounted to approximately RMB30.0 million, RMB32.2 million, RMB40.1 million, RMB22.6 million and RMB30.3 million, respectively, whereas the cost of services for ad optimisation services for the corresponding years/periods amounted to approximately RMB3.3 million, RMB4.5 million, RMB4.9 million, RMB3.2 million and RMB4.4 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our gross profit generated from ad optimisation services amounted to approximately RMB26.7 million, RMB27.6 million, RMB35.2 million, RMB19.4 million and RMB25.8 million, respectively, and the gross profit margin of our ad optimisation services were approximately 89.0%, 85.9%, 87.7%, 85.8% and 85.4%, respectively. To the best knowledge and belief of our Directors, our Group's peers in the industry, which provide advertising solutions services, may also offer ad optimisation services as standalone services to their customers.

REVENUE BY AD FORMATS

The following table sets forth a breakdown of our revenue by the predominant formats of mobile ads placed and shown on the media platforms operated by our media partners during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Still image and text	174,700	46.3	251,897	53.6	179,470	36.4	137,016	39.1	29,654	6.0
Short video	202,967	53.7	218,283	46.4	313,100	63.6	213,656	60.9	467,608	94.0
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

In view of the market trend and customer demand, our Group expanded the format of our mobile ads to short videos in 2018 and set up a video production base in Beijing with diverse shooting scenarios of different themes in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development. In 2021, we expanded our network for distribution of mobile ads to a social media platform. Our mobile ads placed on such social media platform are generally in still image and text format. Thus, our revenue from mobile ads in still image and text increased from approximately RMB174.7 million for the year ended 31 December 2020 to approximately RMB251.9 million for the year ended 31 December 2021. However, due to the change of browsing habits of mobile users for more short videos in light of the 5G mobile technologies, there was a decrease in our revenue from mobile ads placed on media platforms with predominant format in still image and text (including mobile ads placed on app stores) from approximately RMB251.9 million for the year ended 31 December 2021 to approximately RMB179.5 million for the year ended 31 December 2022. At the same time, there was an increase in our revenue from mobile ads placed on media platforms with predominant format in short video from approximately RMB218.3 million for the year ended 31 December 2021 to approximately RMB313.1 million for the year ended 31 December 2022. Such increase was in line with the increase in our revenue from mobile ads placed on short video platforms. For the nine months ended 30 September 2022 and 2023, our revenue from mobile ads in still image and text decreased from approximately RMB137.0 million to approximately RMB29.7 million. Such decrease was mainly attributable to the decrease in demand from customers for placement of mobile ads on app stores and social media platforms, which generally display our mobile ads in still image and text format. For the nine months ended 30 September 2022 and 2023, our revenue from mobile ads in short video format increased from approximately RMB213.7 million to approximately RMB467.6 million. Such increase was mainly attributable to the change of browsing habits of mobile users, the strong demand from customers for placement of mobile ads in video format and our expanded capacities in production of mobile ads after the relocation of our video production base to Changsha.

REVENUE BY TYPE OF MEDIA PLATFORMS

The following table sets forth a breakdown of our revenue by type of media platforms during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
App stores[1]	110,894	29.4	107,141	22.8	47,422	9.6	41,811	11.9	5,526	1.1
Search engines, mobile browsers and news and information content platforms[2]	97,831	25.9	77,881	16.6	124,766	25.3	71,069	20.3	10,662	2.1
Short video platforms[3]	139,340	36.9	192,056	40.9	265,090	53.8	191,088	54.5	467,608	94.1
Social media platform[4]	—	—	72,092	15.3	20,060	4.1	20,060	5.7	—	—
Others[5]	29,602	7.8	21,010	4.5	35,232	7.2	26,644	7.6	13,466	2.7
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Notes:

1. Our mobile ads placed on these platforms were generally in-feed ads in still image and text format.

2. Our mobile ads placed on these platforms were generally in-feeds ads in video and/or still image and text format.

3. Our mobile ads placed on these platforms were generally in-feed ads in video format.

4. Our mobile ads placed on these platforms were generally pop-up ads and floating ads in still image and text format.

5. It mainly included mobile ads placed through advertising alliance platforms.

For the year ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue from mobile ads placed on short video platforms amounted to approximately RMB139.3 million, RMB192.1 million, RMB265.1 million, RMB191.1 million and RMB467.6 million, respectively. Such increase was mainly attributable to the increase in customer demand for mobile ads in short video format which is in line with the general increasing adoption of 5G mobile technologies and our enhanced video production capacities. The increase in our revenue from mobile ads placed on short video platforms for the nine months ended 30 September 2023 was mainly attributable to the strong marketing demand of Customer M and the mobile ads we produced for Customer M were in short video format to promote its online web series and to meet its marketing goals. Moreover, our Directors believe that due to the change of browsing habits of mobile users, our customers tend to place mobile ads in video format on short video platforms in place of mobile ads in still image and text format on app stores. Thus, there was a decrease in our revenue from mobile ads placed on app stores during the Track Record Period. For the year ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our revenue from mobile ads placed on app stores amounted to approximately RMB110.9 million, RMB107.1 million, RMB47.4 million, RMB41.8 million and RMB5.5 million, respectively. Such decrease was primarily attributable to the decrease in demand of customers on placement of mobile ads in still image and text format. As far as our Directors are aware after having made due and careful enquiries, mobile ads in video format are more attractive to mobile users and could achieve better results in marketing of brands, products and services and, thus, our customers tend to prefer mobile ads in video format.

PRICING MODELS

We charge our customers primarily based on CPC, CPM, CPD, CPA and/or CPT basis. CPC (cost per click), CPD (cost per download) and CPA (cost per action) are pricing models that are performance-based and under which we charge our customers when and if a mobile user clicks the mobile ads or downloads an app by clicking the path in the mobile ad. CPM (cost per mille) and CPT (cost per time) are pricing models that are non-performance-based. Under CPM pricing model, we charge our customers based on number of impressions. Under the CPT pricing model, we charge our customers for placing a mobile ad for a specific period of time. The revenue under CPC, CPM, CPA and CPD is recognised when specified action, such as click-throughs, impression, action or downloads, is performed, while the revenue under CPT is recognised over the period of the contract with reference to the duration of the ad posting time. Our mobile advertising solutions services and advertisement distribution services adopted the pricing models of CPC, CPM, CPD, CPA and/or CPT. For our mobile advertising solutions services, we generally propose a marketing plan package to our customers, which includes our marketing plan, the estimated traffic acquisition costs and how we charge the mobile ads posted on the media platforms (as the case may be). For placement of mobile ads on advertising alliance platforms, we charge our customers based on CPA basis. Such pricing mechanism is generally associated with the marketing goals of customers and reflects the performance or results of mobile ads. For instance, if a mobile user has downloaded an app by clicking the path in the mobile ad, then it will be counted as an effective action or if a mobile user has activated an account in an app downloaded by clicking the mobile ad placed on the media platform, then it will also be regarded as an effective action. During the Track Record Period, the pricing mechanism that we agreed with our media partners was the same as the pricing mechanism that we agreed with our customers in order to minimise our business risks.

We generally agree with our customers on the choice of pricing model prior to the start of an ad campaign. Upon the agreement of the pricing model to be adopted for a particular ad campaign with customers, we would track the revenue generated from each customer under different pricing models based on the calculation basis specified for each ad campaign and the actual performance data. We agree with the advertiser on which platform's data to use in verifying performance data for purposes of billing once our engagement is confirmed. For details on verification of performance data, see "Advertising space bidding process — Confirmation of performance data" in this section. After confirmation of performance data, we issue invoices to customers who pay us service fees within a time period after receipt of our invoices depending on the agreed credit term. We generally issue monthly invoices to customers and offer them with credit period. For details, see "Our customers — Key terms of agreements with our customers — (v) Credit period" in this section and "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus.

For our standalone short video production services, we would charge our customers for production fees at unit price in correspondence with various advertising needs of our customers.

The following table sets forth a breakdown of our revenue by type of pricing models adopted by the media platforms operated by our media partners during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Performance-based models (CPC, CPD and CPA)	169,177	44.8	173,626	36.9	149,626	30.4	107,909	30.8	22,483	4.5
Non-performance based models (CPM and CPT)	202,788	53.7	276,341	58.8	317,594	64.5	225,200	64.2	458,886	92.3
Others *(Note)*	5,702	1.5	20,213	4.3	25,350	5.1	17,563	5.0	15,893	3.2
	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Note: It mainly includes our revenue generated from production of short videos as standalone services.

The pricing mechanism of mobile ads is generally associated with the marketing goals of customers and reflects the performance or results of mobile ads. They can be categorised as performance-based and non-performance-based pricing models. For example, customers might want to use click-through rate to demonstrate whether the proportion of mobile users viewing and clicking through the mobile ads to show whether they are interested in a product/service posted in mobile ads, while some customers might prefer to distribute mobile ads on some apps or websites and be charged based on the posting time to enhance product or brand awareness. Mobile ads placed on app stores or placed through advertising alliance platforms would generally adopt pricing models of CPD and CPA (being performance-based models); however, it does not limit the adoption of non-performance-based models. Mobile ads placed on short video platforms or social media platforms would generally adopt pricing models of CPM and CPT (being non-performance-based model); however, it does not limit the adoption of performance-based models. During the Track Record Period, (i) mobile ads placed on app stores or placed through advertising alliance platforms would adopt the performance-based pricing model and (ii) mobile ads placed on short video platforms and social media platforms would adopt performance-based pricing model, which were both in line with the industry norm.

For the years ended 31 December 2020, 2021 and 2022, our revenue from mobile ads charged based on performance-based models remained relatively stable and amounted to approximately RMB169.2 million, RMB173.6 million, RMB149.6 million, respectively. Our revenue from mobile ads charged based on performance-based models decreased substantially to approximately RMB22.5 million for the nine months ended 30 September 2023 from approximately RMB107.9 million for the nine months ended 30 September 2022 mainly due to the decrease in demand from our customers for publication of mobile ads in still image and text format on app stores, search engines and other information content platforms. Our revenue from mobile ads charged based on non-performance-based models increased from approximately RMB202.8 million for the year ended 31 December 2020 to approximately RMB276.3 million for the year ended 31 December 2021 and further increased to approximately RMB317.6 million for the year ended 31 December 2022. Such increase was mainly attributable to the increase in our mobile ads placed on short video platforms and which was also in line with the change of browsing habits of mobile users for more short videos in light of the general increasing adoption of 5G mobile technologies. For the nine months ended 30 September 2023, our revenue from mobile ads charged based on non-performance-based models increased substantially to approximately RMB458.9 million, representing approximately 92.3% of our total revenue. Such increase was mainly attributable to the strong marketing demand of Customer M for promotion of its business and the mobile ads we produced for Customer M were in short video format and were charged based on non-performance based models.

Pricing models for paying traffic acquisition costs

The pricing models which we use for paying our media partners is generally the same mechanism as we charged our customers for our mobile advertising solutions services and advertisement distribution services. Our traffic acquisition costs are based on the pricing of advertising space determined by real-time quotation from media platforms and the quantity of advertising space purchased determined by the number of click-throughs (for CPC), impressions (for CPM), installations (for CPA) or downloads (for CPD) and/or amount of time (CPT). The advertising space is generally procured from our media partners through bidding on advertising placement systems. The pricing of the advertising space may change from time to time according to demand for the advertising space. According to the iResearch Report, each media publisher has its respective ad inventory pricing mechanism in terms of CPC, CPM, CPD, CPT and/or CPA for each of its media platforms and such mechanism is not completely transparent. During the Track Record Period, the pricing mechanism that we agreed with our media publishers was the same as the pricing mechanism that we agreed with our media agents of other media publishers. See "Advertising space bidding process" in this section. During the Track Record Period, we received progressive rebates from our media partners in accordance with the volume of advertising space purchased, and/or flat discount rate from some media partners as incentives when we reach certain KPIs or number of new customer accounts from time to time. Based on these terms, if we are able to meet the thresholds for the media partners, and/or increase the traffic volume, we are able to lower our overall traffic acquisition costs.

Rebates

We connect our customers with media partners and monetise advertising space of our media partners by matching their advertising space to suitable types of mobile ads for the mobile users. As part of our business and in line with market practice, we receive rebates from our media partners and may pass on a portion of these rebates to our customers.

The rebates from the media partners (consist of media publishers and media agents of other media publishers) are based on a pre-determined percentage of customers' actual advertising spending on media platforms of relevant media partners through us, which will be used to set off part of our traffic acquisition costs or recognised as our revenue. The rebates from media partners are offered as part of the business strategies of our media partners and the amount of rebates are generally subject to rebate policies, business plans and needs of our media partners. We may have additional rebates from media partners which are determined on a discretionary basis by our media partners based on their commercial considerations and having considered the volume of advertising space we acquired on behalf of our customers. The amounts of quarterly and/or annual discretionary rebates (if any) are generally determined by our media publishers in the first half of the following year. During the Track Record

Period, our media publishers offered additional quarterly and/or annual rebates to our customers who signed framework agreements with us, whereas our media agents offered us one-off rebates, which are generally used to set off part of our traffic acquisition costs. It is an incentive measure of the media publishers to attract advertisers to place mobile ads on their media platforms.

During the Track Record Period, the rebates from media partners were settled either (i) by deduction of our accounts payables to them for the acquisition of advertising space purchased and as our prepayments or (ii) by cash.

The rates of rebates are set by the media partners annually depending on the actual advertising spending on the acquisition of advertising space on media platforms and/or degree of fulfilment of certain KPIs set by the media partners, the sales and marketing strategies of the media partners in incentivising, attracting and retaining customer accounts. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our media publishers offered our Group with rebates at rates, which are measured by the aggregate amount of rebates from media publishers divided by the aggregate amount of gross traffic acquisition costs to media publishers, of approximately 21.2%, 27.3%, 25.6% and 22.3%, respectively. During the Track Record Period, (i) the rebates from media publishers were generally settled by cash and were generally in the range from approximately 5.6% to 26.8% and (ii) one media publisher settled its rebates by deduction of our accounts payables to them for acquisition of advertising space purchased and the rebates were generally at a rate of 37%. During the Track Record Period, majority of our media agents did not offer rebates. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our media agents offered rebates at rates, which are measured by the aggregate amount of rebates from media agents divided by the aggregate amount of gross traffic acquisition costs to media agents, of approximately 3.9%, 8.1%, 5.5% and 6.6%, respectively. During the Track Record Period, the rebates from media agents were generally settled (i) by deduction of our account payables to them for acquisition of advertising space purchased and as our prepayments or (ii) by cash, and were generally in the range up to 34.4%. As advised by our PRC Legal Adviser, our receipts of rebates from media partners and the offers of rebates from media partners do not violate any applicable PRC laws and regulations in all material aspects provided that the offers are expressly agreed between the media partners or its distributors and our Group, the receipts and the offers are truthfully recorded in the books of our Group and media partners respectively and the relevant invoices are legally issued. According to the iResearch Report, the offers of rebates from media partners or its distributors to our Group are consistent with the market practice.

The following table sets forth a breakdown of rebates from media partners by method of settlement for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Settled by deduction of accounts payables	42,419	93,669	66,554	48,595	50,162
Settled as prepayments	—	—	4,401	2,562	9,721
Settled by cash	49,580	38,803	28,802	20,532	51,882
Total	**91,999**	**132,472**	**99,757**	**71,689**	**111,765**

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the aggregate amount of rebates from media partners were approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, representing approximately 16.9%, 19.3%, 13.9%, 8.5% and 16.6% of our total traffic acquisition costs (in gross amount), respectively. The increase in the proportion of rebates to traffic acquisition costs for the year ended 31 December 2021 as compared to the year ended 31 December 2020 was mainly attributable to the increase in purchase of advertising space and the rebates from a new media partner, namely Supplier H, offering more favourable rebate policies. The decrease in the proportion of rebates for the year ended 31 December 2022 as compared to the year ended 31 December 2021 was mainly attributable to (i) the increase in our purchase of advertising space from media agents which generally offer less rebates but more favourable payment terms, such as Supplier J which did not require our prepayments and offered us credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms. The increase in the proportion of rebates to traffic acquisition costs for the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022 was mainly attributable to the substantial increase in our traffic acquisition costs with our media partners and the strong marketing demand from our customers for advertising space.

We may also incentivise our customers by passing on a portion of the rebates that we received from the media partners to our customers based on our framework agreements with our customers. The rates of rebates we pass on to our customers is determined according to the amount of traffic acquired by such customers, and such amount will be used to set off the service fees payable by our customers for our mobile advertising services. When determining the rates of rebates to customers under mobile advertising solutions services, we will mainly take into account of factors such as (i) relationship and duration with our customers; (ii) expected volume of ad traffic; and (iii) our scope and complexity of services to be provided. See "Business — Pricing models — Rebates" and "Financial information — Critical accounting policies and estimates — Rebates from media partners" in this prospectus. According to the iResearch Report, our offers of rebates to our customers are consistent with the market practice. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the total rebates from media partners amounted to approximately RMB92.0

million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, of which we passed on to our customers approximately RMB60.8 million, RMB86.0 million, RMB57.0 million, RMB43.3 million and RMB73.7 million, respectively.

Gross method and net method on revenue recognition

We recognise revenue from our services on a gross or net basis based on our role under each contract with customers. For contracts where our Group acts as a principal, our Group recognises revenue on a gross basis, while for contracts where our Group acts as an agent, our Group recognises revenue on a net basis. In assessing whether our Group act as a principal or an agent, our Directors consider factors which include but not limited to (i) whether our Group is primarily responsible for fulfilling the promise to provide the specified service; (ii) whether our Group has inventory risk before the specified service has been transferred to a customer; and (iii) whether our Group has discretion in establishing the prices for the specified service. Our Directors consider the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgment when assessing the indicators depending on each different circumstance. In our provision of mobile advertising solution services, we are the primary obligor and are responsible for fulfilling the contracts and we have the power to control the process of content generation that meet our customers' needs. We have control in the specified service before the service is delivered to our customers. Thus, we act as the principal when we provide mobile advertising solutions services and recognise our revenue earned and costs incurred in relation to these transactions on a gross basis. In our provision of advertisement distribution services, we provide traffic acquisition services to our customers for publication of advertisements on media platforms as determined by our customers. We do not have control in the specified service before the service is delivered to our customers. Thus, we act as an agent and report the amount received from our customers and amount paid to our media partners in relation to these transactions on a net basis.

In revenue recognition, we adopt gross method when we act a principal and net method when we act as an agent. The following table sets forth certain key features of our business under gross method and net method:

	Gross method (i.e. when we act as a principal)	**Net method (i.e. when we act as an agent)**
Services	Mobile advertising solutions services (i.e. mobile marketing planning, traffic acquisition, ad production, ad placing, optimising mobile ads, ad publication or distribution and/or overall management of ad campaigns).	Advertisement distribution services (i.e. traffic acquisition and ad distribution services).

	Gross method (i.e. when we act as a principal)	Net method (i.e. when we act as an agent)
Key roles and responsibilities	Upon receiving ad campaign orders from customers, we generally provide mobile marketing planning, produce ad creatives, set campaign parameters, bid for advertising space, acquire advertising space from media partners and/or upload mobile ads to media platforms. Subsequently, we monitor, collect, analyse ad performance data and optimise campaign performance.	Upon receiving ad campaign orders from customers, such as advertising agents, we acquire advertising space from media partners for the customers and/or upload customers' mobile ads to media platforms.
Rebates earned from media partners	Rebates from media partners are calculated primarily based on the gross spending of our total traffic acquisition costs. Given that we can control the process of content generation to meet our customer's needs, we recognise the transaction on a gross method with reference to IFRS 15. And, rebates from media partners are recorded as reduction of cost of services under gross method.	Rebates from media partners are calculated primarily based on the gross spending of our total traffic acquisition costs. Given that we only distribute mobile ads on media platforms determined by our customers and do not control the specified services before they are delivered to our customers, we recognise the transaction on a net method with reference to IFRS 15. And, rebates from media partners are recorded as an increase of revenue under net method.
Rebates offered to customers	We may offer rebates to our customers, generally according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under gross method.	We may offer rebates to our customers, generally according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under net method.
Payment schedule and obligations	We either require prepayment from our customers or grant them a credit period of up to 90 days from the date of invoice after publication of mobile ads. Customers are generally obligated to settle our payment by wire transfer.	We either require prepayment from our customers or grant them credit periods of 15 to 45 days from the date of invoice after publication of mobile ads. Customers are generally obligated to settle our payment by wire transfer.

	Gross method (i.e. when we act as a principal)	Net method (i.e. when we act as an agent)
Pricing mechanisms	We charge our customers primarily based on a mix of CPC, CPD, CPT, CPA and CPM.	We charge our customers primarily based on a mix of CPC, CPD, CPT, CPA and CPM.

For the years ended 31 December, 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the total rebates from media partners amounted to approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, of which we passed on to our customers approximately RMB60.8 million, RMB86.0 million, RMB57.0 million, RMB43.3 million and RMB73.7 million, respectively. We would make accruals for the rebates based on estimation and make adjustment when the media partners confirmed the rebates. For details, see Notes 2 and 3(b)(i) of the Accountants' Report set out in Appendix I to this prospectus.

The following table sets forth a breakdown of our revenue by service type on gross and net basis during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Mobile advertising solutions services (on gross basis)(1)	343,438	90.9	433,250	92.1	454,156	92.2	325,742	92.9	477,306	96.0
Advertisement distribution services (on net basis)(2)	34,229	9.1	36,930	7.9	38,414	7.8	24,929	7.1	19,955	4.0
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Notes:

1. It included our revenue generated from the provision of comprehensive mobile advertising solutions services, which include the provisions of ad creatives and ad optimisation as standalone services. We have a role as principal in these transactions and our revenue from provision of these services is recognised on gross basis.

2. It included our revenue generated from the provision of advertisement distribution services as standalone services. We have a role as agent in these transactions and our revenue from provision of these services is recognised on net basis.

The following table illustrates the reconciliation of our gross billing and our revenue recorded under advertisement distribution services on net basis during the Track Record Period:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Gross billing	285,896	357,883	377,691	252,832	274,127
Less: Traffic acquisition costs from media partners	251,667	320,953	339,277	227,903	254,172
	34,229	36,930	38,414	24,929	19,955

The gross billing margin under advertisement distribution services, calculated as gross billing less traffic acquisition costs from media partners divided by gross billing, was approximately 12.0%, 10.3%, 10.2%, 9.9% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively.

The decrease in our gross billing margin for the year ended 31 December 2021 and 2022 was mainly due to the increase in traffic acquisition costs with the decrease in rebates from media partners, and was mainly attributable to (i) the increase in our purchase of advertising space from media agents which generally offer less rebates but more favourable payment terms, such as Supplier J which did not require our prepayments and offered us credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms.

The decrease in our gross billing margin for the nine months ended 30 September 2022 and 2023 was mainly due to the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time.

See "Our Customers — Movement and average revenue of our customers — Changes in the average gross billing from advertisement distribution services per customer" in this section.

ADVERTISING SPACE BIDDING PROCESS

Ad inventory refers to advertising space available on media platforms offered by media publishers. To place our mobile ads on an media platform, we shall acquire advertising space from our media partner, which is either a media publisher or a media agent. For details, see "Our business — Our media partners" in this section. The advertising space is generally procured by us through bidding directly on our media publishers' advertising placement systems or through our media agents on their media publishers' advertising placement systems. The execution of ad placements through the advertising placement systems starts with the setting up of a unique account for each mobile ad. These accounts are created under customers' names and the entire ad placement process is operated by us through these accounts. Each account is assigned with a unique set of login particulars, such as username and password.

For media publishers which we act as their distributors, we can directly get access to their advertising placement systems and create accounts for our customers. For mobile ads which are placed on media platforms through media agents, these media agents will create accounts for us, provide us with login particulars. Upon creating the accounts, we can log into the relevant advertising placement system, operate the accounts and handle the advertising space bidding process independently. For bidding of advertising space, in addition to the bid price, we can set certain criteria for the advertising space, mostly related to the particulars of the target audience. Our customers are also granted the access right to the relevant accounts. They can review the status of the mobile ads, including the volume of advertising space purchased and consumed, and the performance indicators of respective mobile ads such as volume of impressions to the mobile ads, click-through rates and/or download rates.

Based on the input of bidding information from the bidders, the media publishers calculate the values of each bid based on their own formulas in order to rank the bids from all bidders. The bidder which offers the highest value will be allocated with the highest volume of impressions to that mobile ads, while other bid offers may also be able to obtain advertising space with lower volume of impressions allocated. In the event that our bid offer is lower than other bidders, we may fail to obtain the advertising space with desired impressions. For bidding of advertising space, we would propose and discuss a price range for bidding with customers based on our experience and with reference to, among others, types of media platforms, types of mobile ads and publication time of mobile ads. When the price of advertising space exceeds the acceptable price range of our customers, our mobile ads would not be published on media platforms. Our project enhancers may then adjust the bid price within the agreed price range of our customers, advertising contents or other advertising criteria such as the age group of the target audience groups in order to be allocated with the appropriate volume of impressions under the agreed budgets with our customers. Under the bidding process, when there is any increase in the price of advertising space, such increase will generally be passed on to our customers in full.

In adjusting the bid price, our project enhancers take into account (i) the advertising budgets of our customers; (ii) the targeted effectiveness or impression required by our customers; and (iii) certain performance parameters of the media publishers including conversion rate, click-through rates and download rates.

Each media publisher has its respective proprietary ad inventory pricing and bidding mechanism for each of its media platforms which is not completely transparent. Pursuant to the prevailing bidding mechanism adopted, our media partners control the bidding process for the advertising space they supply and they may place restrictions on the use of their advertising space. Nevertheless, in order to acquire advertising space from our media partners, we have to bid through their advertising bidding platforms. See "Risk factors — Risks relating to our business and industry — There is lack of a transparent pricing system for mobile advertising market in the PRC, and our media partners control the process for bidding advertising space" in this prospectus.

Before we arrange the bidding of the advertising space, we generally maintain sufficient funds in the accounts to support each bid for acquisition of advertising space. If prepayment is required by our media partners, we would make prepayments for the acquisition of advertising space from the media partners. If prepayment is not required by our media partners, we would arrange for payment of traffic acquisition costs upon receiving invoices from our media partners. The advertising space is acquired through bidding when there is user access on the media platforms and advertising space is offered to or consumed by advertisers for presenting the mobile ads to users instantaneously. When prepayment is required, such payment for acquisition of advertising space is in turn consumed after bidding. Advertising space is not transferable among different customers' accounts even if they are created under the name of the same customers at the same media partners. Any unused funds for acquisition of advertising space can be refunded to us in cash without interest and surcharges. In accounting treatment, when we make payments for the customers to media platforms for purchase of advertising space, we recognise them as prepayments to suppliers as initial recognition. When the advertising space is consumed, we recognise the consumption of advertising space as traffic acquisition costs. For mobile advertising solutions services, the traffic acquisition costs are booked under cost of services, and for advertisement distribution services, the traffic acquisition costs are net off under revenue.

Our prepayments to suppliers mainly represent the traffic acquisition costs prepaid for our customers. It primarily included (i) the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers and (ii) the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. As at 31 December 2020, 2021 and 2022 and 30 September 2023, our prepayments to suppliers amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB334.5 million, respectively, accounting for approximately, 38.4%, 39.0%, 50.3% and 58.5% respectively, of our total assets as at the respective date. As at 31 December 2020, 2021 and 2022 and 30 September 2023, (i) the traffic acquisition cost paid to media partners by our Group in relation to our advertisement distribution services amounted to approximately RMB121.6 million, RMB94.1 million, RMB201.7 million and RMB245.4 million, respectively, accounting for approximately 31.9%, 20.5%, 40.4% and 42.9% respectively, of our total assets as at the respective date; and (ii) the prepayments required by suppliers for acquisition of advertising space amounted to approximately RMB25.1 million, RMB85.2 million, RMB49.4 million and RMB89.1 million, respectively, accounting for approximately 6.5%, 18.5%, 9.9% and 14.0% respectively, of our total assets as at the respective date. See "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus.

Other than prepayments, our media partners would generally require us to provide deposits to them. Our deposits paid to media partners are refundable and represent certain amount of our estimated annual budgets on traffic acquisition costs, and such amount could not be used to set off the traffic acquisition costs unless otherwise as agreed between our Group and the media partners. When there is any difference between the actual traffic acquisition costs and the estimated traffic acquisition costs or there is any change of deposits policy of media partners, the media partners may require more deposits from us or refund part of the deposits to us. As at 31 December 2020, 2021 and 2022 and 30 September 2023, our deposits paid to media partners amounted to approximately RMB20.9 million, RMB22.5 million, RMB10.0 million and RMB7.8 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the refund of deposits from media partners to our Group amounted to approximately RMB49.3 million, RMB12.6 million, RMB12.6 million and RMB9.5 million, respectively. See "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus.

The advertising placement systems of media publishers or media agents may vary. In the event that there is no bidding process in the ad placement systems, we would acquire advertising space directly from media partners by placing order for each mobile ads. After completion of order, we would receive report on the performance data of the mobile ads from the media partners.

Confirmation of performance data

Advertising space is charged based on the agreed pricing models with reference to the performance data such as number of clicks and downloads and the purchase amount recorded by the media partners at their ad placement systems. Based on this information, we calculate the volume of advertising space consumed by our customers and issue invoices accordingly. As the media partners are key market players whose ad placement systems are considered as well-equipped and are reputable and reliable, taking into account that most of our user traffic is acquired from such leading media platforms with market leadership and excellent track record, we extract such information from the media platforms and provide reports of performance data to our customers. Our project enhancers also evaluate the effectiveness and performance of each of the mobile ads based on the data extracted from these media platforms. Our customers may review the performance data and our reports before their settlement of our invoices.

According to the iResearch Report, it is an industry norm that mobile advertising service providers generally do not adopt specific anti-click fraud mechanism but may engage Independent Third Party data tracking platforms to independently verify ad performance data when mobile advertising service providers notice any unusual traffic. During the Track Record Period and up to the Latest Practicable Date, we had not engaged any Independent Third Party to verify ad performance data as we had not received any complaint from our customers on the accuracy of the performance data, and there were no material disputes regarding data confirmation among our customers, media partners and us.

WORKING CAPITAL CYCLE

For our mobile advertising services, there is a time lag between the purchase of advertising space from media partners and receipt of payment from our customers, which imposes a substantial cash requirements for funding our services. Such time lag is resulted from the fact that (i) as part of our services, we sometimes have to make prepayments for the acquisition of advertising space from media partners in cash before arranging the bidding of advertising space; and (ii) we generally offer (a) customers for our mobile advertising solutions services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and (b) customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. See "Financial information — Major components of consolidated statements of financial position — Trade and other receivables" in this prospectus. We make prepayments for acquisition of advertising space from our media partners in accordance with their requirements and based on our customers' advertising orders. The volume of advertising space so purchased are made with reference to the budget of each mobile ad. We experience a mismatch in timing between the payment for the acquisition of advertising space from media partners as prepayment and receipt of payment from our customers, which imposes a substantial cash requirements for funding our mobile advertising services and exposes our Group to credit and liquidity risks as well as working capital insufficiency. The scale of our mobile advertising services is therefore constrained by the working capital we have in hand from time to time. According to the iResearch Report, it is an industry norm that there may be timing mismatch between the payments to media partners and receipt of payment from customers.

We make prepayments for the acquisition of advertising space from media partners, if required, and any unused funds prepaid by us are generally refundable in cash upon our request. As at 31 December 2020, 2021 and 2022 and 30 September 2023, the prepayments paid by our Group to suppliers (i.e. the payments of traffic acquisition costs prepaid for our customers) amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB334.5 million, respectively, representing approximately 38.3%, 38.6%, 50.0% and 58.5% of our total assets respectively.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the average trade receivable turnover days (based on gross billing) were approximately 71 days, 83 days, 75 days and 59 days, respectively, while the average trade payable turnover days (based on traffic acquisition costs on gross basis) were approximately 17 days, 20 days, 23 days and 14 days, respectively.

For further details on risks associated with our working capital cycle, see "Risk factors — Risks relating to our business and industry — We may make prepayments to suppliers before arranging the bidding of advertising space which may impose substantial cash requirements for funding our services and expose our Group to credit and liquidity risks as well as working capital sufficiency due to the mismatch in timing between the prepayment for the acquisition of advertising space from media partners and the receipt of payment from our customers and we may not be able to recover our prepayments in a timely manner from our media partners" in this prospectus.

Capital and liquidity management policy

Given that (i) our average trade receivable turnover days increased from 71 days for the year ended 31 December 2020 to 83 days for the year ended 31 December 2021 which was mainly due to increase in trade receivables due from customers for our mobile advertising solutions services; and (ii) we recorded negative operating cash flow for the year ended 31 December 2020 and the nine months ended 30 September 2023 we aim to improve our liquidity position by adopting more stringent policies and procedures to manage our working capital and liquidity position going forward, including but not limited to conducting the followings measures since December 2021:

(i) credit assessments by our sales and marketing department on our new customers, based on our established customer credit assessment criteria. For each potential customer, we adopt a due diligence process to collect customer information through various channels and we would consider various factors, including, among others, the potential customer's reputation, their client base, existing liability condition, financial and other background information, for our assessment. Dedicated members of our sales and marketing department would assess and review the creditworthiness of each new customer from time to time. Based on the findings, we will approve and accept business from such customers in accordance with our credit policy;

(ii) regular reviews by our finance department and our sales and marketing department on the payment history of our customers and the collection status of our trade receivables and we may revise the credit period granted to such customers during renewal of the framework agreements;

(iii) setting thresholds of certain credit periods of up to 90 days from the invoice date, and credit amounts of up to RMB80 million, depending on our transaction volume with customers and our customers' historical payment records and background. Such thresholds are subject to our regular reviews with reference to the outstanding amount due from customers and their collection status from time to time;

(iv) monitoring the settlement of our trade payables to achieve better cash flow position;

(v) monitoring the invoicing schedule and payment recovery process by project managers together with our finance department;

(vi) exploring new opportunities to cooperate with new media partners which would grant longer credit period to our Group and seeking to extend the credit period with our existing media partners. During the Track Record Period, we were able to expand our network for distribution of mobile ads and established new business relationship with media partner which offers our Group a credit term of up to 90 days after placement of mobile ads;

(vii) identifying new customers who would provide prepayments or accept a shorter credit period. For the year ended 31 December 2022, we have successfully engaged more than 20% of our new customers which would provide prepayments to us;

(viii) diversifying both our customer base and supplier base to avoid over-reliance on any particular customers and suppliers;

(ix) mapping our new media partners with credit terms which could match or are similar to our new customers' credit terms, if possible;

(x) follow-up actions on the overdue trade receivables, for examples: (a) actively and regularly communication between our sales department and our customers on the settlement dates such as making telephone calls to customers to remind them on the invoice status, making sales visits and sending payment reminders; (b) assessing the recoverability of the overdue trade receivables by our finance department and making adequate provisions for those irrecoverable amounts in our financial statements; (c) assessing appropriate course of action with our legal team and taking appropriate legal actions if necessary after having considered the amount of overdue trade receivables, the legal cost and the probability of recovery of the overdue amount; and (d) suspending business dealings with those customers with significant outstanding trade receivables for better capital management; and

(xi) actively exploring various financing means, such as commercial bank loans and factoring arrangements with our customers.

Notwithstanding the liquidity position of our Group during the Track Record Period, our Directors believe that it is essential to manage our Group's cash flow efficiently and has implemented a set of policies and arrangements to monitor and manage fund sufficiency in order to maintain adequate liquidity for the business and operations of our Group. Set out below are the relevant policies and plans formulated by our management and prepared by our finance department in order to maintain our working capital sufficiency, which have been implemented since December 2021:

1. Annual financial budget — the Board, upon recommendation of the management, including our chief financial officer and our chief executive officer, sets the annual revenue targets and expenditure budgets in accordance with the business goal of our Group.

2. Quarterly financial analysis — our chief financial officer together with our chief executive officer will review and closely monitor the overall cash flow positions of our Group, and the cash flow positions of our operations every quarter by comparing the forecast and actual financial performance, devise and implement any necessary follow-up or contingency measures to ensure that our cash flow position is sufficiently maintained and under control. Our Group also arranges and negotiates financing with financial institutions and maintains a certain level of standby credit facilities to reduce liquidity risk. Such quarterly cash flow budget would be submitted to senior management and the Board for review and approval.

Our Directors believe that the policies and plans set out above are able to assist our Group to effectively monitor and manage our cash flow position and maintain sufficient fund and liquidity for our business and operations.

After implementation of the above policies, liquidity and working capital of our Group have improved. Our cash flow generated from operating activities had been improved from a negative record of approximately RMB14.3 million for the year ended 31 December 2020 to a positive record of approximately RMB43.2 million for the year ended 31 December 2021. Our current ratio has gradually improved from 2.7 as at 31 December 2021 to 3.6 as at 31 December 2022. Moreover, the interest coverage ratio improved from 19.5 times as at 31 December 2021 to 45.6 times as at 31 December 2022.

The above relevant policies and plans implemented for improving our Group's working capital and liquidity management have been reviewed by the internal control adviser we engaged for the purpose of the Listing and no material deficiencies were noted after implementation of such improvement policies and plans.

OUR CUSTOMERS

Our customers include direct advertisers and advertising agents on behalf of their advertisers.

The following table sets forth a breakdown of the number of our customers for our mobile advertising services by types by customers for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	No. of customers	*No. of customers*	*No. of customers*	*No. of customers*	*No. of customers*
Direct advertisers	135	156	197	129	115
Advertising agents	103	85	98	45	35
Total	**238**	**241**	**295**	**174**	**150**

During the years ended 31 December 2020, 2021 and 2022, there has been continual increase in the number of direct advertisers, which was mainly attributable to the increase in number of customers for our mobile advertising solutions services as we expanded our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was a decrease in the number of direct advertisers and advertising agents, which was mainly attributable to the focus of our resources to serve customers with greater advertising needs in general, such as Customer M.

Our new and recurring customers

The following tables set forth the movement of our new customers and recurring customers and our revenue generated from these customers for the years/periods indicated:

	For the year ended 31 December									For the nine months ended 30 September					
	2020			2021			2022			2022			2023		
	Number	Revenue	Average[(1)]	Number	Revenue	Average[(1)]	Number	Revenue	Average[(1)]	Number	Revenue	Average[(1)]	Number	Revenue	Average[(1)]
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000* (unaudited)	*RMB'000* (unaudited)		*RMB'000*	*RMB'000*
New customers	109	50,995	468	142	158,950	1,119	74	120,649	1,630	79	67,181	850	63	217,557	3,453
Recurring customers	129	326,672	2,532	99	311,230	3,144	221	371,921	1,683	95	283,490	2,984	87	279,704	3,215
Total	238	377,667	1,587	241	470,180	1,951	295	492,570	1,670	174	350,671	2,015	150	497,261	3,315

Note: It refers to the average revenue per customer.

During the Track Record Period, we served customers with different scale and advertising needs. Customers' advertising needs and budgets may vary from year to year and we would explore business opportunities with new customers as and when opportunities arise. Accordingly, there may be fluctuations in our average revenue per customer and the number of our customers may increase or decrease from time to time. See "Risk factors — Risks relating to our business and industry — Any change in advertising needs or adverse impact on the business of our Group's customers may affect our business" in this prospectus.

For the years ended 31 December 2020, 2021 and 2022, the average revenue per new customer, which is measured by our revenue generated from new customers divided by the number of new customers, amounted to approximately RMB0.5 million, RMB1.1 million and RMB1.6 million, respectively. For the nine months ended 30 September 2022 and 2023, the average revenue per new customer amounted to approximately RMB0.9 million and RMB3.5 million, respectively. Such increase in average revenue per new customer was mainly attributable to our effort to explore new business opportunities with customers greater advertising needs in general.

For the years ended 31 December 2020, 2021 and 2022, the average revenue per recurring customer, which is measured by our revenue generated from recurring customers divided by the number of recurring customers, amounted to approximately RMB2.5 million, RMB3.1 million and RMB1.7 million, respectively. The decrease in the average revenue per recurring customers in 2022 was mainly attributable to the migration of 88 customers from the advertisement distribution services to mobile advertising solutions services as we explored new business opportunities with existing customers. Despite the decrease in average revenue per recurring customers in 2022, there was an increase in our total revenue from approximately RMB470.2 million for the year ended 31 December 2021 to approximately RMB492.6 million for the year ended 31 December 2022. For the nine months ended 30 September 2022 and 2023, the average revenue per recurring customer amounted to approximately RMB3.0 million and RMB3.2 million, respectively.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our retention rates of customers, which are measured by the number of recurring customers divided by the total number of customers in current period, are approximately 54.2%, 41.1%, 74.9%, 54.6% and 58.0%, respectively.

The decrease in our retention rate from approximately 54.2% in 2020 to approximately 41.1% in 2021 was primarily attributable to the decrease in the number of our customers for advertisement distribution services as we expanded our mobile advertising solutions services after having considered that the average revenue per customer for our advertisement distribution services was significantly lower than that of our mobile advertising solutions services for the year ended 31 December 2020. The substantial increase in our retention rate to approximately 74.9% in 2022 was mainly attributable to the expansion of our mobile advertising solutions services and the migration of 88 customers from our advertisement distribution services to mobile advertising solutions services. The increase in our retention rate from approximately 54.6% for the nine months ended 30 September 2022 to approximately 58.0% for the nine months ended 30 September 2023 was primarily attributable to the effort of our management on retaining customers for our mobile advertising solutions services and our further expansion of our mobile advertising solutions services.

Movement and average revenue of our customers

The following table sets forth the movement of our new customers and recurring customers for each type of our services and our average revenue generated from these customers for the years/periods indicated:

	For the year ended 31 December									For the nine months ended 30 September					
	2020			2021			2022			2022			2023		
	Number[1]	Revenue	Average[2]	Number[1]	Revenue	Average[2]	Number[1]	Revenue	Average[2]	Number[1]	Revenue	Average[2]	Number[1]	Revenue	Average[2]
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000* (*unaudited*)	*RMB'000* (*unaudited*)		*RMB'000*	*RMB'000*
Mobile advertising solutions services[1]	**35**	**343,438**	**9,813**	**52**	**433,250**	**8,332**	**181**	**454,156**	**2,509**	**164**	**325,742**	**1,986**	**106**	**477,306**	**4,503**
New customers	18	39,234	2,180	35	141,342	4,038	71	117,250	1,651	76	64,603	850	40	216,713	5,418
Recurring customers[3]	17	304,204	17,894	17	291,908	17,171	110	336,906	3,063	88	261,139	2,967	66	260,593	3,948
Advertisement distribution services	**203**	**34,229**	**169**	**189**	**36,930**	**195**	**114**	**38,414**	**337**	**10**	**24,929**	**2,493**	**44**	**19,955**	**454**
New customers	91	11,761	129	107	17,608	165	3	3,399	1,133	3	2,578	859	23	844	37
Recurring customers	112	22,468	201	82	19,322	236	111	35,015	315	7	22,351	3,193	21	19,111	910
Total	**238**	**377,667**	**1,587**	**241**	**470,180**	**1,951**	**295**	**492,570**	**1,670**	**174**	**350,671**	**2,015**	**150**	**497,261**	**3,315**

Notes:

1. Customers which engage us for our mobile advertising solutions services may engage us for our advertisement distribution services. The number of customers for our mobile advertising solutions services includes the customers which engage us for both of our mobile advertising solutions services and advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, there were 4, 0, 10, 8 and 8 customers which engaged us for both of our mobile advertising solutions services and advertisement distribution services, respectively. These customers were not included in the number of customers for our advertisement distribution services.

2. It refers to the average revenue per customer.

3. During the Track Record Period, there were migration of customers from our advertisement distribution services to mobile advertising solutions services leveraging on the continual effort of our management. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, (i) there were 13, 4, 88, 61 and 3 customers migrated to our mobile advertising solutions services, respectively, and (ii) our revenue generated from these migrated customers amounted to approximately RMB56.0 million, RMB122.3 million, RMB136.3 million, RMB79.8 million and RMB2.6 million, respectively.

Changes in the number of customers for our mobile advertising solutions services

For the years ended 31 December 2020, 2021 and 2022, there was an increase in the number of customers for our mobile advertising solutions services and we had 35, 52 and 181 customers for our mobile advertising solutions services, respectively. Such increase was mainly attributable to the enhanced efforts of our management to expand our mobile advertising solutions services in light of the increase in demand for value-added services from customers and after having considered that the provision of mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC. For the years ended 31 December 2021 and 2022, the significant increase in the number of customers for our mobile advertising solutions services was mainly attributable to the migration of 88 customers from our advertisement distribution services to mobile advertising solutions services as we expanded our mobile advertising solutions services and explored new business opportunities with existing customers. For the nine months ended 30 September 2022 and 2023, we had

164 and 106 customers for our mobile advertising solutions services, respectively. Despite the decrease in the number of customers for the nine months ended 30 September 2023, there was an increase in our revenue generated from our mobile advertising solutions services from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023. The decrease in the number of customers for the nine months ended 30 September 2023 was mainly attributable to the focus of our resources to serve Customer M, which was our largest customer for the nine months ended 30 September 2023 and had a strong demand for our mobile advertising solutions services, particularly the need for our mobile ads in short video format. Our Directors consider that, with enhanced production capacities, we will be able to serve more customers and increase the number of customers for our mobile advertising solutions services. Our provision of mobile advertising solutions services accounted for approximately 96.0% of our total revenue for the nine months ended 30 September 2023.

For the nine months ended 30 September 2022 and 2023, there were 61 and 3 customers migrated from our advertisement distribution services to our mobile advertising solutions services, respectively. In 2022, we explored new business opportunities with our existing customers to expand our customer base of our mobile advertising solutions services. Thus, there was a significant increase in the migration of customers from advertisement distribution services to mobile advertising solutions services. The decrease in the number of customers migration in 2023 was mainly attributable to the focus of our resources to serve Customer M, which had a strong demand for our mobile advertising solutions services and particularly a strong need for our mobile ads in short video format. Having considered our production capacities, we focused less of our resources on exploring new business opportunities with existing customers.

According to the iResearch Report, advertisers are in greater need of value-added services from mobile marketing solutions providers, such as creative planning of ad campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness. To meet customers' needs and to enhance our competitiveness in the market, we continued to expand the portfolio of our value-added services as our mobile advertising solutions services during the Track Record Period. Moreover, according to the iResearch Report, barriers to entry into the mobile advertising industry include content production and advertising creative ability and service and in-feed advertising optimisation capacities. Therefore, our Directors are of the view that we shall enhance our capacities on production of ad creatives and contents of mobile ads and shall expand the portfolio of our value-added services on a continuous basis in order to maintain and strengthen our market position and enhance our market presence. Based on the above, we expanded our mobile advertising solutions services during the Track Record Period and observed an increase in the number of customers for our mobile advertising solutions services for the years ended 31 December 2020, 2021 and 2022. Going forward, we will continue to expand our mobile advertising solutions services and will optimise, enhance and improve the portfolio of our mobile advertising solutions services to meet the demand of customers and to maintain and enhance our competitiveness in the market. See "Business — Strategies and future plans — Continue to expand our mobile advertising business in the PRC — Expand our mobile advertising solutions services" and "Future plans and use of proceeds — Use of proceeds" in this prospectus.

Changes in the average revenue from mobile advertising solutions services per customer

For the years ended 31 December 2020, 2021 and 2022, the average revenue per customer for mobile advertising solutions services, which is measured by our total revenue generated from our mobile advertising solutions services divided by the number of customers for our mobile advertising solutions services, amounted to approximately RMB9.8 million, RMB8.3 million and RMB2.5 million, respectively. The decrease in the average revenue per customer for mobile advertising solutions services was mainly attributable to the continuous expansion of our mobile advertising solutions services and the enlarged customer base of our mobile advertising solutions services. The significant decrease in 2022 was mainly attributable to (i) the migration of 88 customers from advertisement distribution services to our mobile advertising solutions services and these customers generally have lower average spending, (ii) the decrease in advertising budgets of our customers from technology and internet services industry in 2022 as our customers may adjust their business and marketing plans from time to time in response to market trends and demands, and (iii) the new customers of our mobile advertising solutions services were of different budget range and these new customers, as first time users of our services, tended to place mobile ads with our Group on trial basis.

For the years ended 31 December 2020, 2021 and 2022, the average revenue per new customer for our mobile advertising solutions services, which is measured by our revenue generated from new customers for our mobile advertising solutions services divided by the number of new customers for such services, amounted to approximately RMB2.2 million, RMB4.0 million and RMB1.7 million, respectively. The increase in 2021 was mainly attributable to our expansion of mobile advertising solutions services and our effort to explore new business opportunities with customers with greater advertising needs in general. The decrease in 2022 was mainly attributable to our continual expansion of our customer base of mobile advertising solutions services and these new customers were of different budget range and, to the best knowledge and belief of our Directors, these new customers, as first time users of our mobile advertising solutions services, tended to place mobile ads with our Group on trial basis.

For the years ended 31 December 2020, 2021 and 2022, the average revenue per recurring customer for our mobile advertising solutions services, which is measured by our revenue generated from recurring customers for our mobile advertising solutions services divided by the number of recurring customers for such services, amounted to approximately RMB17.9 million, RMB17.2 million and RMB3.1 million, respectively. The substantial decrease in the average revenue from mobile advertising solutions services per recurring customer in 2022 was mainly attributable to (i) the migration of 88 customers from our advertisement distribution services to our mobile advertising solutions services and these customers generally have lower average spending and (ii) the decrease in advertising budgets of our customers from the technology and internet services industry in 2022 as our customers may adjust their business and marketing plans from time to time in response to market trends and demands.

For the nine months ended 30 September 2022 and 2023, (i) the average revenue from mobile advertising solutions services per customer amounted to approximately RMB2.0 million and RMB4.5 million, respectively, (ii) the average revenue from mobile advertising solutions services per new customer amounted to approximately RMB0.9 million and RMB5.4 million, respectively, and (iii) the average revenue from mobile advertising solutions services per recurring customer amounted to approximately RMB3.0 million and RMB3.9 million, respectively. Such increase was mainly due to our effort to explore business opportunities with customers with greater advertising needs, such as Customer M which had a strong marketing demand for promotion of its business.

Changes in the number of customers for our advertisement distribution services

For the years ended 31 December 2020, 2021 and 2022, there was a decrease in the number of customers for our advertisement distribution services and we had 203, 189 and 114 customers for our advertisement distribution services, respectively. Such decrease (including the significant decrease in 2022) was mainly attributable to our effort in serving customers with greater advertising needs for our advertisement distribution services and the migration of 88 customers from our advertisement distribution services to our mobile advertising solutions services in 2022 due to the expansion of our mobile advertising solutions services. Our Directors also noted that the average revenue per customer for our advertisement distribution services was significantly lower than that of mobile advertising solutions services for the year ended 31 December 2020. In 2020, 203 customers (being approximately 85% of our total customers) engaged our Group for advertisement distribution services, but only accounted for approximately 9.1% of our total revenue for the year ended 31 December 2020. It exposed our Group to credit and liquidity risks because we may need to make prepayments to suppliers for these customers before arranging for bidding of advertising space. Thus, we implemented our strategy to serve customers with greater advertising needs in general. Moreover, according to the iResearch Report, in order to meet evolving needs of advertisers, mobile advertising service providers with a focus on in-feed advertising tend to provide full cycle advertising services, including traffic acquisition, production of ad creatives, precise targeting and data analysis, rather than acting as an intermediary, which only provides advertisement distribution services. Hence, during the Track Record Period, we actively expanded our mobile advertising solutions services. Despite the decrease in the number of customers for advertisement distribution services, there was a continuous increase in our revenue generated from advertisement distribution services for the years ended 31 December 2020, 2021 and 2022. Our revenue generated from provision of advertisement distribution services amounted to approximately RMB34.2 million, RMB36.9 million and RMB38.4 million for the years ended 31 December 2020, 2021 and 2022, respectively. For the nine months ended 30 September 2022 and 2023, we had 10 and 44 customers for our advertisement distribution services, respectively. Such increase was mainly attributable to the increase in new customers as we explored new business opportunities and developed business relationship with new customers.

Changes in the average revenue from advertisement distribution services per customer

For the years ended 31 December 2020, 2021 and 2022, the average revenue per customer for advertisement distribution services, which is measured by our total revenue generated from our advertisement distribution services divided by the number of customers for our advertisement distribution services, amounted to approximately RMB169,000, RMB195,000 and RMB337,000, respectively. For the years ended 31 December 2020, 2021 and 2022, the average revenue per new customer for our advertisement distribution services, which is measured by our revenue generated from new customers for our advertisement distribution services divided by the number of new customers for such services, amounted to approximately RMB129,000, RMB165,000 and RMB1.1 million, respectively. For the years ended 31 December 2020, 2021 and 2022, the average revenue per recurring customer for our advertisement distribution services, which is measured by our revenue generated from recurring customers for our advertisement distribution services divided by the number of recurring customers for such services, amounted to approximately RMB201,000, RMB236,000 and RMB315,000, respectively. Such increases were mainly attributable to our effort to serve customers with greater advertising needs for our advertisement distribution services.

For the nine months ended 30 September 2022 and 2023, (i) the average revenue per customer for our advertisement distribution services amounted to approximately RMB2.5 million and RMB454,000, respectively; (ii) the average revenue per new customer for our advertisement distribution services amounted to approximately RMB0.9 million and RMB37,000, respectively; and (iii) the average revenue per recurring customer for our advertisement distribution services amounted to approximately RMB3.2 million and RMB910,000, respectively. Such decrease was mainly attributable to the increase in number of customers for our advertisement distribution services as we explored new business opportunities and developed business relationship with new customers. For the nine months ended 30 September 2023, our revenue from advertisement distribution services only accounted for approximately 4.0% of our total revenue.

Changes in the average gross billing from advertisement distribution services per customer

For the years ended 31 December 2020, 2021 and 2022, the gross billing recorded from our provision of advertisement distribution services amounted to approximately RMB285.9 million, RMB357.9 million and RMB377.7 million, respectively, while the average gross billing from advertisement distribution services per customer, which is measured by our total gross billing from our advertisement distribution services divided by the number of customers for our advertisement distribution services, amounted to approximately RMB1.4 million, RMB1.9 million and RMB3.3 million, respectively. The increase in the average gross billing from advertisement distribution services per customer during the years ended 31 December 2020, 2021 and 2022 was mainly attributable to the decrease in the number of customers for our advertisement distribution services and our effort to serve customers with greater advertising needs. For the nine months ended 30 September 2022 and 2023, the gross billing recorded from our provision of advertisement distribution services amounted to approximately RMB252.8 million and RMB274.1 million, respectively, while the average gross billing from advertisement distribution services per customer amounted to approximately RMB25.3 million and RMB6.2 million. The decrease in the average gross billing from advertisement distribution services per customer was mainly attributable to the migration of 88 customers from the advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

Industry verticals of our customers

The following table sets forth a breakdown of revenue of our mobile advertising services by industry verticals of our customers for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%[(4)]*	*RMB'000*	*%[(4)]*	*RMB'000*	*%[(4)]*	*RMB'000*	*%[(4)]*	*RMB'000*	*%[(4)]*
							(unaudited)			
Technology and internet services[(1)]	295,907	78.4	305,779	65.0	272,982	55.4	181,115	51.6	368,626	74.1
Gaming	874	0.2	3,893	0.8	16,724	3.4	12,036	3.4	763	0.2
Financial services	6,955	1.9	4,684	1.0	3,586	0.7	2,406	0.7	5,734	1.2
Publishing media	136	0.0	99	0.0	13,721	2.8	11,045	3.2	13,124	2.6
E-commerce	582	0.2	6,376	1.4	18,855	3.8	16,116	4.6	226	0.0
Medical health	—	0.0	7,374	1.6	6,465	1.3	6,346	1.8	438	0.1
Travel	171	0.0	1,162	0.2	27,568	5.6	21,908	6.2	38	0.0
Energy	—	0.0	6,114	1.3	9,681	2.0	5,876	1.7	6,872	1.4
Others[(2)]	153	0.0	3,279	0.7	936	0.2	544	0.2	2	0.0
Advertising agents[(3)]	72,889	19.3	131,420	28.0	122,052	24.8	93,279	26.6	101,438	20.4
	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Notes:

(1) Include technology companies which provide a wide range of products and services including app store, social media platforms, search engines, video sharing and browsing app, news app, etc.

(2) Others primarily include education, real estate, business services, sports and food and beverage industries, etc.

(3) Advertising agents are advertising companies, which generally do not maintain a large team of manpower for handling ad placements requests and/or in-house production of mobile ads. They engaged us for mobile advertising services on behalf of their own customers, which are direct advertisers from various industries.

(4) Subject to rounding error, certain figures were marked as "0.0%".

For the years ended 31 December 2020 and 2021, our revenue generated from the technology and internet services industry remained stable and amounted to approximately RMB295.9 million and RMB305.8 million, representing approximately 78.4% and 65.0% of our revenue, respectively. Our revenue generated from this industry decreased from approximately RMB305.8 million for the year ended 31 December 2021 to approximately RMB273.0 million for the year ended 31 December 2022, representing approximately 55.4% of our revenue. Such decrease was mainly attributable to the decrease in advertising budgets of our customers from the technology and internet services industry as our customers may adjust their business and marketing plans from time to time in response to market trends and demands. For the nine months ended 30 September 2022 and 2023, our revenue generated from this industry amounted to approximately RMB181.1 million and RMB368.6 million, representing approximately 51.6% and 74.1% of our revenue, respectively. Such increase was mainly attributable to the strong marketing demand from a new customer, namely Customer M, for promotion of its business.

Our revenue generated from the gaming industry amounted to approximately RMB0.9 million for the year ended 31 December 2020, representing approximately 0.2% of our revenue, which, as far as our Directors are aware after having made due and careful enquiries, was mainly attributable to the change of advertising plans of gaming companies after the promulgation of new laws and regulations by the PRC government, such as the Notice on Workings to Prevent Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲工作的通知》) and the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which aimed at limiting the duration of time spent by minors on online games. Our customers' businesses may be affected by implementation of new laws and regulations in their industries, which may affect their business plans, marketing plans and advertising needs or budgets and their transactions with us. See "Risk factors — Any change in advertising needs or adverse impact on the business of our Group's customers may affect our business" in this prospectus. To the best of our Directors' knowledge and belief, save as disclosed herein, there is no other material adverse impact to our Group's business and our customers' business in view of the recent developments in the industries which they operate. With the gradual adaption to the new government laws and regulations, our revenue generated from the gaming industry improved to approximately RMB3.9 million and RMB16.7 million for the years ended 31 December 2021 and 2022, respectively. For the nine months ended 30 September 2022 and 2023, our revenue from this industry amounted to approximately RMB12.0 million and RMB0.8 million, representing approximately 3.4% and 0.2% of our revenue, respectively. As far as our Directors are aware after having made due and careful enquiries, such decrease was mainly attributable to the change of advertising budgets and marketing plans of our customers.

We had accumulated substantial experience in serving direct advertisers from the technology industry in the PRC and our direct advertisers include e-commerce giant, fast-growing social networking services company, leading content app developers, as well as companies in financial services, internet services and gaming industries in the PRC and members of companies listed on recognised stock exchanges. We believe these advertisers generally have better advertising budgets, stronger advertising needs for promotion of their products and services and better credibility. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, all of our 5 largest customers in each year/period during the Track Record Period are our direct advertisers, except for Beijing Huitong Internet Technology Co., Ltd* (北京匯通互聯科技有限公司), Customer I and Customer K, our revenue generated from these direct advertisers accounted for approximately 71.1%, 55.3%, 40.0% and 63.2% of our total revenue, respectively.

From time to time, in accordance with the changing market environment and government policies, we may adjust the focus of our target customer group to grow our business and monitor our credit risk exposure. It was our Group's intention to diversify our customer base to cover different industries, and to deepen our understanding of user acquisition needs in a variety of industries, and positions us well to capture new business opportunities. Thus, we may make adjustment to the composition of our customer bases from time to time.

For advertisement distribution customers, they generally select media platforms based on traffic acquisition costs, historical user acquisition results, quality of traffic and magnitude of ad exposure. We are committed to providing stable and cost effective traffic to our advertisers. For mobile advertising solutions services customers, they also look for mobile advertising service providers' abilities to improve their ROI.

Key terms of agreements with our customers

During the Track Record Period, we generally entered into annual framework agreements with our major customers for promotion of their products or services. Salient terms of the annual framework agreement with our customers include:

(i) Duration: Generally 1 year, some with an option to renewal within the specified time, for both mobile advertising solutions services and advertisement distribution services.

(ii) Scope of services provided by us: For mobile advertising solutions services, we provide mobile advertising solutions services to promote our customers' products and optimise our service process and to provide tailored services to our customers and maximise their ROI via media platforms.

For advertisement distribution services, we only assist our customers to publish our customers' mobile ads on the chosen/targeted media platform(s) where no ad optimisation service nor ad production service is provided.

(iii) Placement of mobile ads: For both mobile advertising solutions services and advertisement distribution services, the customers can complete a prescribed order form to confirm certain essential terms of the placement, including the details of our customers' products, designated media publishers, pricing model, payment method and rebate rates, before every mobile ad is published pursuant to the annual framework agreements.

(iv) Fee arrangements: For both our mobile advertising solutions services (including the ad optimisation service) and advertisement distribution services, we charge our customers with reference to CPA, CPC, CPD, CPM and/or CPT basis.

For placement of mobile ads on the advertising alliance platforms for both of our mobile advertising solutions services and advertisement distribution services, we would charge our customers based on CPA basis. Advertising alliance platforms refers to associated advertising platforms comprising of a group of small- and medium-scaled websites or media platforms that target a particular group of mobile users with certain common interests. During the Track Record Period, we engaged media agents of other media publishers for distribution of mobile ads on advertising alliance platforms.

For both our mobile advertising solutions services and advertisement distribution services, we sometimes require new customers to make prepayment of service fees.

(v)	Credit period:	For our mobile advertising solutions services, we generally issue monthly bills to our customers and offer them a credit period of up to 90 days from the date of invoice. For our advertisement distribution services, we generally issue monthly bills to our customers and offer them a credit period between 15 and 45 days from the date of invoice.
(vi)	Ownership of intellectual property rights:	For both mobile advertising solutions services and advertisement distribution services, ownership of intellectual property rights of any marketing content produced during the duration of the framework agreement and after the execution of the framework agreements will belong to either our customers or us, depends on the terms of the framework agreements.
(vii)	Confidentiality:	For both mobile advertising solutions services and advertisement distribution services, the parties agree not to disseminate user data, products and commercial information, technical know-how, software programming or any other confidential information, to any third party.
(viii)	Termination:	For both mobile advertising solutions services and advertisement distribution services, the framework agreement may be terminated by either party in prior written notice with a period of 5 to 30 days, subject to specific conditions.
(ix)	Minimum purchase amount:	Our major customers, such as Customer A and Customer B, may indicate their intended minimum purchase amount of services from us.
(x)	Confirmation of performance data:	For both mobile advertising solutions services and advertisement distribution services, we extract performance data from media platforms and provide reports of performance data to our customers. We also confirm the performance data with our customers for the purpose of billing.
(xi)	Other obligations:	For both mobile advertising solutions services and advertisement distribution services, we require our customers to ensure that the ad contents or materials provided by them is in compliance with laws and regulations in PRC.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no material dispute of our framework agreements with our customers.

When customers approach us for our mobile advertising services, they normally provide us with an indicative maximum lump sum advertising budget and their objectives. We then assess the size of the advertiser's business and profitability of carrying out its ad campaigns in order to decide whether to engage the advertiser as our customer. After formal engagement and as an ad campaign progress, except for customers with an intended minimum purchase amount with us, the advertising budget may change depending on the actual ad placement results while the customer is free to allocate any portion of their advertising budget to other ad campaigns and/or other mobile advertising service providers should it chooses to do so.

Our service fees are generally charged with reference to the number of click-throughs (for CPC), impressions (for CPM), installations (for CPA) or downloads (for CPD) and/or the amount of time (CPT). The service fees would depend on factors such as, among others, (i) the cost of advertising space, being the cost on acquisition of advertising space from media partners, (ii) the amount of advertising budgets, which relates to the overall campaign spending and (iii) the effectiveness and performance of our mobile ads.

In the ordinary course of business, we are subject to the Advertising Law of the PRC for providing "advertisement design, production and agency services" to our customers. Pursuant to the Advertising Law of the PRC, we could be held liable for any inappropriate, illegal or offensive ad contents produced in-house or produced by our customers but placed by us under the following circumstances: (i) if we have the knowledge or should have had the knowledge that the ad contents is false; (ii) in terms of false, fraudulent or misleading ad contents that we have no knowledge of, if we fail to provide valid name, address and contact information of the advertiser; (iii) in terms of false ad contents which has caused damages to a consumer's life and health; and (iv) when the ad contents has infringed the legitimate civil rights and interests of others or when the advertising contact is forbidden according to relevant laws and regulations. See "Risk factors — Risks relating to our business and industry — We may face potential liability from posting restricted ad contents, which may harm our business due to the nature of our business" in this prospectus.

We conduct basic background check on our customers prior to engagement with them and examine the ad contents produced in-house or provided by our customers according to our internal policies. We would review, among others, presentation styles and ad contents of mobile ads to see if they contain any sensitive keywords and whether they are in compliance with the Advertising Law of the PRC, the Interim Measures on Internet Advertisement as well as other applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any material administrative fines or penalties, or involved in any material dispute or proceedings arising from or in connection with any inappropriate, illegal or offensive advertising content placed by us. See "Regulatory overview — Laws and regulations relating to advertising business" in this prospectus.

OUR MEDIA PARTNERS

We acquire advertising space from our media partners for placement of mobile ads on media platforms. Our media partners comprise (i) media publishers, being operators of media platforms such as search engines, news and information content platforms, short video platforms, mobile browsers, app stores and social media platforms, and (ii) media agents of other media publishers, including agents for distribution of mobile ads on advertising alliance platforms.

We strategically focus on establishing business relationship with top media partners which operate leading search engine platforms, news and information content platforms, short video platforms, app stores and social media platforms in the PRC to develop an extensive distribution network. To cater for different advertising goals of customers, we are able to place mobile ads on advertising alliance platforms, which cover some small media platforms. We engage media agents to acquire advertising space for placement of mobile ads on advertising alliance platforms. From time to time, we also engage media agents to place mobile ads on designated media platforms, in order to enhance our operational efficiency, lower our administration cost and, reduce our working capital requirement, and risk exposure in the course of our business.

The following table sets forth the number of our media partners by type and our traffic acquisition costs by type of our media partners for the years/periods indicated:

	For the year ended 31 December									For the nine months ended 30 September					
	2020			2021			2022			2022			2023		
	No. of media partners	*RMB'000*	*%*	*No. of media partners*	*RMB'000*	*%*	*No. of media partners*	*RMB'000*	*%*	*No. of media partners*	*RMB'000 (unaudited)*	*%*	*No. of media partners*	*RMB'000*	*%*
Media publishers	3	261,907	89.8	5	353,243	97.1	5	219,890	58.3	5	189,106	68.3	6	317,028	77.3
Media agents	37	29,805	10.2	23	10,708	2.9	55	157,505	41.7	40	87,847	31.7	35	93,015	22.7
Total	**40**	**291,712**	**100.0**	**28**	**363,951**	**100.0**	**60**	**377,395**	**100.0**	**45**	**276,953**	**100.0**	**41**	**410,043**	**100.0**

Note: For the nine months ended 30 September 2023, we are a distributor of 6 media publishers. Our media publishers include Supplier A, Alibaba Group, Supplier C, Supplier H, Supplier I and an operator of a media platform which provides financial and wealth management information to mobile users, while our media agents include all our media partners apart from the media publishers. Moreover, we engage media agents for placement of mobile ads on advertising alliance platforms.

For the years ended 31 December 2021 and 2022, there was a decrease in our traffic acquisition costs from media publishers from approximately RMB353.2 million to RMB219.9 million. Such decrease was mainly attributable to our purchase from media agents which generally does not require deposits before our acquisition for user traffic in order to enhance our liquidity for business and operations. For the nine months ended 30 September 2023, there was an increase in our traffic acquisition costs from media publishers to approximately RMB317.0 million from approximately RMB189.1 million for the nine months ended 30 September 2022. Such increase was mainly attributable to the placement of mobile ads for Customer M, which had a strong marketing demand for promotion of its business, on our media publisher, namely Supplier C.

For the years ended 31 December 2021 and 2022, there was an increase in our traffic acquisition costs from media agents from approximately RMB10.7 million to RMB157.5 million. Such increase was mainly attributable to the increase in the number of media agents for acquisition of advertising space as (i) these media agents can provide us with advertising space of other media publishers that we are not their direct distributors and (ii) these media agents generally offer credit period of 1 month. For the nine months ended 30 September 2022 and 2023, our traffic acquisition costs from media agents amounted to approximately RMB87.8 million and RMB93.0 million, respectively. Such increase was mainly due to the offer of better credit period by media agents. The credit terms of media agents are generally better than that of media publishers which require prepayment. The rates of traffic acquisition costs offered by media publishers and media agents are generally identical. However, media publishers generally offer more rebates than media agents. Given that media agents may receive rebates from their media publishers, they may offer discount to us when we acquire user traffic from them.

According to the iResearch Report, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022. According to the iResearch Report, top media platforms generally have a stringent selection process for distributor and place a heavy emphasis on working with partners who can deliver them quality ad campaigns that are relevant, engaging and viral for their user bases. Such stringent criteria include financial strength, payment record, industry reputation, traffic volume, customer or client base, management team, etc.

During the Track Record Period, our major media partners are pioneers in the technology and internet services industries. They generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 30 September 2023, we have established business relationship with 6 media publishers and we can distribute mobile ads on more than 30 media platforms operated by them. According to the iResearch Report, as an industry norm, if there are no material mistakes made or complaints received from advertisers and there is no material decrease in the traffic volume, the status of a distributor will be renewed every year. In general, the media publishers would, prior to the first engagement and in annual reviews, consider and assess the performance of their distributors by taking into account, including (i) historical advertising transaction amounts; (ii) customer base and quality; (iii) source of customers; (iv) manpower, in particular the number of sales personnel and project enhancers; (v) financial credibility; and/or (vi) market reputations, and the media publishers generally renew agreements with the distributors on an annual basis. During the Track Record Period and up to the Latest Practicable Date, save for Supplier A, we managed to renew our agreements with all of our media publishers annually since we were recognised as their distributor. Having considered our relationship with the media partners, our historical transaction amounts with the media publishers, our customer base and our in-house production capacities, save for Supplier A, our Directors do not foresee substantial or material adverse obstacles in renewing our agreements with all of our media publishers in 2024. Our Directors confirm that the renewals of our agreements with our media publishers during the Track Record Period did not contain any unfavourable terms which may have material adverse impact on the profit margin of our Group. See "Suppliers — Cessation of our business relationship with Supplier A" in this section.

Key terms of agreements with our media partners

During the Track Record Period, we generally entered into framework agreements with our major media partners for using their media platforms to provide both mobile advertising solutions services and advertisement distribution services to our customers. Salient terms of the agreement with our media partners include:

(i)	Duration:	Generally 1 year, some with an automatic renewal clause for a term of 1 year.
(ii)	Scope of services provided by our media partners:	Our media partners grant us with the user traffic resources on their media platforms to carry out the marketing campaigns for our customers' products. They also perform the opening and topping up of the designated account service for us, if required.
(iii)	Price arrangements:	Our pricing arrangement with suppliers is primarily based on CPC, CPT, CPM, CPA and/or CPD.
(iv)	Payment arrangements:	When required by our media partners, we may have to make sufficient prepayments to our media partners before arranging the bidding and procurement for advertising space. If prepayment is not required by our media partners, we would arrange for payment of traffic acquisition costs after the receipt of invoices.
(v)	Placement of orders:	Generally before we place orders pursuant to the framework agreement, the parties are to complete a prescribed ad placement form to confirm certain essential terms of the advertising placement, including the details of the media platforms, pricing and placing arrangement, payment methods, rebate rates and policies.
(vi)	Credit period:	The traffic acquisition costs are determined based on the performance data of the mobile ads. We will be billed monthly and required to pay within 90 days upon the presentation of invoices from the media partners based on the agreed results and we will arrange settlement subsequently.
(vii)	Termination:	The agreement may be terminated by either party in prior written notice with a period of 15 to 30 days, subject to specific conditions.
(viii)	Penalty:	We will incur penalty in terms of both monetary compensation and suspension of service if we are in breach of publishing certain contents in violation of the relevant rules and regulations of our media partners. During the Track Record Period, we have not been imposed any penalty by the media partners.

(ix)	Payment of deposits and rebates:	In some of the agreements, we are required to pay a deposit to the media partners within a prescribed period after the signing of the ad placement forms. We may also entitle to progressive rebates in accordance with the volume of advertising space purchased, and/or flat discount rate from some media partners as incentives when we reach certain KPIs or number of new customer accounts from time to time.
(x)	Use of trademark:	We are permitted to use certain trademarks of the media partners which are owned by them as included in the agreements from time to time.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no material dispute of our framework agreements with our media partners.

CUSTOMERS

During the Track Record Period, our customers were primarily consisted of (i) direct advertisers, being companies from different industries with advertising needs to promote their brands, products and/ or services on media platforms and (ii) advertising agents, being advertising companies engaging us on behalf of their advertisers. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we served 238, 241, 295 and 150 customers, respectively. For further details of our customers, see "Our customers" in this section. During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software companies and leading content app developers in the PRC. We intend to continue to expand our mobile advertising solutions services and to serve customers with greater advertising needs in general. Customers with greater advertising needs can expand our demand for advertising space from our media partners. We evaluate the financial strength of our existing customers from time to time before entering into any formal engagement for and during the provision of mobile advertising services. We review, among others, the scale of business of the customer, its history and reputation, the products or services it is seeking to market and promote, the length of business relationship and the punctuality of payment. We may require advance payments from some new customers before the commencement of the ad placements.

We are the bridge linking our customers and suppliers. However, our customers may transact with our suppliers directly and, thus, we may be exposed to the risk of disintermediation. See "Risk factors — If our media partners transact with advertisers directly, we may be exposed to the risk of disintermediation" in this prospectus. To mitigate the risk of disintermediation, we will continue to expand our capacities to provide tailored and all-rounded mobile advertising services that can meet marketing goals of our customers efficiently. We would keep ourselves abreast of the latest market trends and developments and would expand our capacities to provide value-added services and to increase the offerings of our ad formats from time to time. In particular, we will devote more resources to expand our video production capacities and enhance and upgrade our self-developed platform so that we can deliver our mobile advertising services efficiently and maintain our competitiveness in the industry. We believe that we are able to mitigate the risk of disintermediation due to our ability to deliver quality mobile advertising solutions services, which have contributed to the growth of our business during the Track Record Period. According to the iResearch Report, advertisers generally tend to transact with media platforms via advertising service providers instead of cooperating with media platforms directly, not only because direct cooperation may not be acceptable to some media giants, but also because advertising service providers have established close relationship with top media platforms and are equipped with industry experience in the provision of tailored and all rounded mobile advertising services to advertisers. To the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any termination of business relationships with our customers and suppliers due to disintermediation.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our 5 largest customers in each year/period during the Track Record Period collectively accounted for approximately 75.4%, 67.3%, 48.0% and 68.7% of our total revenue, respectively, and our revenue generated from our largest customer in each year/period during the Track Record Period accounted for approximately 31.0%, 24.0%, 16.3% and 40.8% of our total revenue, respectively. We have maintained amiable and strategic business relationships with our 5 largest customers in each year/period during the Track Record Period for about 1 to 6 years as at Latest Practicable Date. We generally offer (i) customers for our mobile advertising solutions services with a credit period of up to 90 days from the date of invoice after publication of mobile ads and (ii) customers for our advertisement distribution services with a credit period between 15 and 45 days from the date of invoice after publication of mobile ads. Our customers generally settle our invoices by bank transfer. Sometimes we also require certain customers to prepay for our mobile advertising services prior to the provision of our services.

The following tables set out the background information of the 5 largest customers for each year/period during the Track Record Period:

For the year ended 31 December 2020

Rank	Customers[1]	Type of customers	Major services provided by us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total revenue *RMB'000*	*%*
1.	Customer A[2]	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2017	40 days from receipt of invoice	Bank transfer	117,234	31.0
2.	Customer D[3]	Direct advertiser	Provision of mobile advertising solutions services, advertisement distribution services and video production services	Members of a Chinese leading technology conglomerate company founded in 1998, which operates the largest social media and digital content platforms and app store in the PRC, with combined MAUs of approximately 1.3 billion as at 30 June 2022. The shares of their holding company were listed on the Main Board in Hong Kong in 2004 with a market capitalisation of approximately HK$2.9 trillion as at 30 September 2023.	2017	45 days from receipt of invoice	Bank transfer	111,832	29.6
3.	Customer B	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2000 with a focus on search engine business. It operates flagship app enabling mobile users to access search, feed, contents and other services through mobile devices. The MAUs of such app reached 648 million in December 2022. The shares of their holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$373.1 billion as at 30 September 2023.	2017	15 days from receipt of invoice	Bank transfer	23,467	6.2
4.	Beijing Huitong Internet Technology Co., Ltd.* (北京匯通互聯科技有限公司)	Advertising agent	Provision of mobile advertising solutions services	An online marketing company founded in 2014, which is principally engaged in the provision of one-stop marketing solutions services in the PRC. It has a registered capital of approximately RMB9.8 million.	2020	Prepayment	Bank transfer	16,313	4.3
5.	Customer G[4]	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company with development history from 2011 and operates popular content communities and social media platforms in the PRC. Its app had an average MAUs of 626.0 million for the year ended 30 September 2022. The shares of their holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$273.7 billion as at 30 September 2023.	2018	30 days from receipt of invoice	Bank transfer	16,184	4.3
							Sub-total	285,030	75.4
							All other customers	92,637	24.6
							Total	377,667	100.0

For the year ended 31 December 2021

Rank	Customers[1]	Type of customers	Major services provided by us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total revenue *RMB'000*	%
1.	Customer H	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2010, which operates an online community platform for users to find solutions, make decisions, find inspiration and have fun. The shares of their holding company were listed on the Main Board in Hong Kong in 2022 with a market capitalisation of approximately HK$5.1 billion as at 30 September 2023.	2018	45 days from receipt of invoice	Bank transfer	112,646	24.0
2.	Customer A[2]	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2017	40 days from receipt of invoice	Bank transfer	90,013	19.1
3.	Customer I[6, 7]	Advertising agent	Provision of mobile advertising solutions services	An online marketing company founded in 2012, which is principally engaged in the provision of digital marketing solutions in the PRC. The shares of its holding company were listed on the main board in Shanghai in 1997 with a market capitalisation of approximately RMB1.5 billion as at 30 September 2023.	2021	90 days from the execution order[6]	Bank transfer	56,267	12.0
4.	Customer D[3]	Direct advertiser	Provision of mobile advertising solutions services and video production services	Members of a Chinese leading technology conglomerate company founded in 1998, which operates the largest social media and digital content platforms and app store in the PRC, with combined MAUs of approximately 1.3 billion as at 30 June 2022. The shares of their holding company were listed on the Main Board in Hong Kong in 2004 with a market capitalisation of approximately HK$2.9 trillion as at 30 September 2023.	2017	45 days from receipt of invoice	Bank transfer	30,433	6.5
5.	Customer B	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology founded in 2000 with a focus on search engine business. It operates flagship app enabling mobile users to access search, feed, contents and other services through mobile devices. The MAUs of such app reached 648 million in December 2022. The shares of their holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$373.1 billion as at 30 September 2023.	2017	15 days from receipt of invoice	Bank transfer	26,709	5.7
							Sub-total	316,068	67.3
							All other customers	154,112	32.7
							Total	470,180	100.0

For the year ended 31 December 2022

Rank	Customers[1]	Type of customers	Major services provided by us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total revenue	
								RMB'000	*%*
1.	Customer H	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2010, which operates an online community platform for users to find solutions, make decisions, find inspiration and have fun. The shares of their holding company were listed on the Main Board in Hong Kong in 2022 with a market capitalisation of approximately HK$5.1 billion as at 30 September 2023.	2018	45 days from receipt of invoice	Bank transfer	80,366	16.3
2.	Customer J	Direct advertiser	Provision of mobile advertising solutions services	An advertising company founded in 2018, which is principally engaged in gaming development and distribution in the PRC. It has a registered capital of RMB1.25 million.	2021	30 days from receipt of invoice	Bank transfer	53,880	10.9
3.	Customer K[8]	Advertising agent	Provision of mobile advertising solutions services and video production services	An advertising company founded in 2014, which is principally engaged in design, production and distribution of advertisements in the PRC. It has a registered capital of RMB10 million.	2021	35 days from receipt of invoice	Bank transfer	39,274	8.0
4.	Customer A[2]	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2017	40 days from receipt of invoice	Bank transfer	38,721	7.9
5.	Customer L	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading online automobile service provider founded in 2005, which operates platforms for automobile consumers which operates platforms for automobile customers. The shares of their holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$30.1 billion as at 30 September 2023.	2021	30–60 days from receipt of invoice	Bank transfer	24,277	4.9
							Sub-total	236,518	48.0
							All other customers	256,052	52.0
							Total	492,570	100.0

For the nine months ended 30 September 2023

Rank	Customers[1]	Type of customers	Major services provided by us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total revenue	
								RMB'000	*%*
1.	Customer M[9, 10]	Direct advertiser	Provision of mobile advertising solutions services	A web series production company founded in 2021 in the PRC. It is principally engaged in production of web series and mobile users in the PRC can watch these web series on various online entertainment platforms in the PRC. For the nine months ended 30 September 2023, it has promoted more than 650 web series and had a strong marketing need for promotion of its web series. It has a registered capital of RMB1 million.	2023	Prepayment	Bank transfer	202,772	40.8
2.	Customer A[2]	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2017	40 days from receipt of invoice	Bank transfer	57,992	11.7
3.	Customer N[11, 12]	Direct advertiser	Provision of mobile advertising solutions services	A mobile internet company founded in 2021, which is principally engaged in live streamer incubation and management on e-commerce platforms in the PRC. It has the capacity to assist online or e-commerce stores in the PRC to promote their products and services and has business relationship with more than 30 e-commerce stores in 2023. It has a registered capital of RMB10 million.	2022	Prepayment	Bank transfer	29,718	6.0
4.	Customer K[8]	Direct advertiser	Provision of mobile advertising solution service and video production services	An advertising company founded in 2014, which is principally engaged in design, production and distribution of advertisements in the PRC. It has a registered capital of RMB10 million.	2021	35 days from receipt of invoice	Bank transfer	27,505	5.5
5.	Customer H	Direct advertiser	Provision of mobile advertising solutions services	Members of a Chinese leading technology company founded in 2010, which operates an online community platform for users to find solutions, make decisions, find inspiration and have fun. The shares of their holding company were listed on the Main Board in Hong Kong in 2022 with a market capitalisation of approximately HK$5.1 billion as at 30 September 2023.	2018	45 days from receipt of invoice	Bank transfer	23,534	4.7
							Sub-total	341,521	68.7
							All other customers	155,740	31.3
							Total	497,261	100.0

Notes:

1. Some of our customers are associated with each other. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer. For example, Customer A, Customer B, Customer D, Customer G, Customer H, Customer K and Customer L are all grouped customers.

2. Customer A was simultaneously in the capacity as Supplier C during the Track Record Period.

3. Customer D was simultaneously in the capacity as Supplier A during the Track Record Period.

4. Customer G was simultaneously in the capacity as Supplier I for the year ended 31 December 2021.

5. See "Overlapping of customers and suppliers" in this section.

6. Mobile ads of Customer I were mostly placed on the media platform operated by Supplier H, which offered us a credit term of 90 days after placement of ads. Thus, we granted a credit term of 90 days to Customer I than to our other customers.

7. Our Group became acquainted with the general manager of Customer I through the introduction by a business acquaintance of Mr. Yu in 2019.

8. Customer K and Supplier F are group companies for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023.

9. Our Group became acquainted with Customer M in 2022 through business referral by a former colleague of Mr. Zhao.

10. Customer M is owned as to 100% by a technology company ("**Company Z**") which is a company established in the PRC in 2020 and is principally engaged in online game development and short drama content creation in the PRC. The equity interest of Company Z is owned directly or indirectly as to (i) 60% by three individuals, who are Independent Third Parties, and (ii) 40% by a company which operates a leading mobile live streaming platform in the PRC and the shares of such company are listed on the Stock Exchange with a market capitalisation of approximately HK$1.5 billion as at 30 September 2023 and an Independent Third Party. Company Z was a subsidiary of such listed company in 2020.

11. Our Group became acquainted with Customer N in 2022 through introduction by a business acquaintance of Mr. Zhao.

12. Customer N is owned as to (i) 84% by a PRC resident, who is an Independent Third Party; (ii) 15% by a consulting company founded in 2009, which is principally engaged in provision of film and television planning services in the PRC; and (iii) 1% by a technology company founded in 2019, which is principally engaged in software development in the PRC. The aforementioned consulting company is wholly-owned by a state-owned enterprise, which is principally engaged in investment and financing business for the development of the cultural industry, including film, television and other media such as animation, in Henan Province. All of these companies are Independent Third Parties.

All of our 5 largest customers in each year/period during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our 5 largest customers in each year/period during the Track Record Period.

Our business relationship with Customer M

Customer M is a principally engaged in web series production in the PRC. Mobile users in the PRC can watch the web series of Customer M on various online entertainment platforms. It was established in the PRC in 2021 and had about 200 employees. For the nine months ended 30 September 2023, Customer M has promoted more than 650 web series and had a strong marketing need for promotion of its web series in the fast-growing technology industry in the PRC. For the nine months ended 30 September 2023, our Group provided mobile advertising solutions services to Customer M and produced mobile ads in short video format for publication on media platforms operated by Supplier C, which is the operator of the largest platform for short-form mobile videos in the PRC.

Customers concentration

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our 5 largest customers in each year/period during the Track Record Period aggregately accounted for approximately 75.4%, 67.3%, 48.0% and 68.7% of our revenue, respectively. Our Directors consider that such customers concentration is not uncommon in the mobile advertising industry in the PRC and our business model is sustainable after having considered the following factors:

(i) it is not uncommon for mobile advertising service providers in the PRC to generate major proportion of revenue from one or few well-established customers, especially advertisers in the technology and internet services industries because the industry is dominated by a few key market players and these companies generally have strong marketing needs for promotion of their brands, products and services as a result of the rapid development of their businesses in the PRC;

(ii) we have established business relationship with our 5 largest customers for each year/period during the Track Record Period, and some of them are fast-growing technology companies and prominent market players in their industries, such as Customer A and Customer B. They provide a wide range of products and services and generally have greater advertising needs for promotion of their products and services. The demand of our 5 largest customers for our services and their advertising budgets allocated to us varied in each year/period during the Track Record Period due to their own business development plans and marketing needs. We entered into agreements with each of them with similar terms and we have not experienced any difficulty in renewing the agreements with them. And, Customer A and Customer B have further committed to certain minimum annual purchase amount from us for our advertising services. During the Track Record Period and up to the Latest Practicable Date, there was no termination or material adverse change of our business relationship with them and there has been no material change in our contract terms with them;

(iii) although we are a relatively small market player in the mobile advertising industry which is competitive, we believe that we are a valuable business partner of our customers based on the followings:

- **Our network for ad distribution:** We have established business relationship with top media partners that operate leading media platforms in the PRC over years of our operation. As at 30 September 2023, we are a distributor of 6 media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by them. These media platforms provide different contents to attract a wide spectrum of mobile users with diverse habits and preferences. We believe that with such network for ad distribution, we can enhance exposure and advertising effect of mobile ads and can achieve our customers' marketing goals;

- **Our ability to provide tailored and all-rounded advertising services:** We are capable of providing comprehensive advertising services as well as one or more of our advertising services to customers to serve their different needs. We keep ourselves abreast of the latest market trends and developments and expand our capacities to provide value-added services and increase the offerings of our ad formats to our customers from time to time. Moreover, our mobile advertising services are supported by our in-house content production team for creation and design of ad contents in different formats. With our video production base with diverse shooting scenarios of different themes, we can produce ad contents that are tailor-made to our customers in a timely efficient manner. Our content production capacities are also well recognised. In 2021, we were awarded as "The Most Creative Agency (最具創意代理)" by Alibaba Group. In 2022, we received the "Creative Marketing Case Award (創意營銷案例獎)" and the "Content Creation Award (內容創造獎)" from our major media publishers. In 2023, our mobile ads were recognised and selected as "Top 15 in the Marketing Case Competition Award for the Year of 2023 (2023年營銷大賞案例大賽前十五大)" by our media publisher, namely Alibaba Group;

- **Extensive experience in serving customers with different scale and advertising needs:** Over years of our operation, we have accumulated solid experience in the provision of mobile advertising services to customers with different scale and advertising needs. We will continue to spend our marketing efforts to explore business opportunities with different companies in the technology, internet and other industries with rapid growth in the PRC and strong marketing needs. During the Track Record Period, we have successfully expanded our customer base for our mobile advertising solutions services during the years ended 31 December 2020, 2021 and 2022. For the years ended 31 December 2020, 2021 and 2022, the number of customers for our mobile advertising solutions services increased from 35 in 2020 to 52 in 2021 and further increased to 181 in 2022. Our Directors believe that with an expansion of customer base, our reliance on a limited number of customers will be reduced; and

(iv) at the time we expand our customer base, we would assess our profitability of carrying out business with our existing customers. We would closely monitor the level and collection status of our trade receivables and consider our needs for working capital for expansion of our business from time to time. We will continue to nurture our business relationship with customers which have favourable payment records and we will explore business opportunities with new customers which may not require our prepayment for acquisition of advertising space from media partners to enhance our financial positions for sustainable growth and development.

See "Risk factors — Risks relating to our business and industry — We generated more than half of our revenue from our 5 largest customers in each year/period for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2023" in this prospectus in relation to the position on concentration of customers.

SUPPLIERS

During the Track Record Period, our major suppliers were mainly our media partners, which comprised (i) media publishers, which are operators of media platforms, such as search engines, news and information content platforms, short video platforms, mobile browsers, app stores and social media platforms, and (ii) media agents of other media publishers. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. These media publishers are prominent technology and internet companies in the PRC. And, they generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 30 September 2023, we are a distributor of 6 media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads on more than 30 online platforms operated by them. According to the iResearch Report, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022. For further details of our media partners, see ''Our media partners'' in this section.

Our 5 largest suppliers in each year/period during the Track Record Period aggregately accounted for approximately 92.5%, 93.9%, 70.5% and 88.8% of our cost of services, respectively, and our cost of services from our largest supplier in each year/period during the Track Record Period accounted for approximately 33.8%, 32.7%, 19.4% and 51.5% of our cost of services, respectively. During the Track Record Period, we rely on the few media partners for acquisition of advertising space. See ''Suppliers — Suppliers concentration'' in this section. Despite our cessation of business relationship with Supplier A since May 2023, we have maintained business relationship with our other 5 largest suppliers in each year/period during the Track Record Period for about 2 to 8 years, as at the Latest Practicable Date. According to the iResearch Report, as an industry norm, if there are no material mistakes made or complaints received from advertisers and there is no material decrease in the traffic volume, the status of a distributor will be renewed every year. To maintain our business relationship with our major suppliers including media publishers, we will continue to expand our mobile advertising business and based on the demand from our customers. We expect to continue acquiring advertising space from our major suppliers. In particular, we plan to expand our customer base and enhance our production capacities. We believe there will be continuous demand for our services and thereby we will continue to acquire advertising space from our media partners. For details, see ''Strategies and future plans'' in this section and ''Future plans and use of proceeds — Use of proceeds'' in this prospectus. During the Track Record Period and up to the Latest Practicable Date, save for Supplier A, we managed to renew our agreements with all of our media publishers annually since we were recognised as their distributor. Based on the above, our Directors consider that there will be no material adverse change or termination of our relationship with our media partners in the foreseeable future. Our suppliers generally grant us credit terms of up to 90 days and we generally settle their invoice by bank transfer. Certain suppliers also require prepayments from us for acquisition of advertising space. For a sensitivity analysis illustrating the impact of hypothetical fluctuations in traffic acquisition costs on our profit before income tax during the Track Record Period, see ''Financial information — Major factors affecting our results of operations — Ability to control our costs and expenses'' in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material dispute or disagreement between our Group and our 5 largest suppliers in each year/period during the Track Record Period.

The following tables set out the background information of the 5 largest suppliers for each year/period during the Track Record Period:

For the year ended 31 December 2020

Rank	Suppliers	Type of media partners	Nature of media platforms operated by the media publisher for our placement of mobile ads	Major services provided to us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total cost of services	
									RMB'000	*%*
1	Supplier C[3]	Media publisher	Short video platform and news and information content platform	Advertising space for ad placements	A member of a Chinese leading internet technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2019	Prepayment	Bank transfer	101,765	33.8
2	Supplier A[2]	Media publisher	App store	Advertising space for ad placements	A member of a Chinese leading technology conglomerate company founded in 1998, which operates the largest social media and digital content platforms and app store in the PRC, with combined MAUs of approximately 1.3 billion as at 30 June 2022. The shares of its holding company were listed on the Main Board in Hong Kong in 2004 with a market capitalisation of approximately HK$2.9 trillion as at 30 September 2023.	2016	60 days from the month end after placement of ads	Bank transfer	94,231	31.3
3	Alibaba Group[1]	Media publisher	App store, mobile browser and search engine	Advertising space for ad placements	A member of an e-commerce giant founded in 1999, which engages in diversified businesses, including retail and wholesale commerce, logistics, cloud computing and digital media and entertainment. The shares of its holding company were listed on the Main Board in Hong Kong in 2019 with a market capitalisation of approximately HK$1.7 trillion as at 30 September 2023.	2015	Prepayment or without fixed credit period	Bank transfer	65,912	21.9
4	Supplier F[6]	Media agent	N/A	Advertising space for ad placements	An internet digital marketing company founded in 2018 and is principally engaged in the provision of marketing services in the PRC. It has a registered capital of RMB5 million.	2019	Prepayment	Bank transfer	10,232	3.4
5	Supplier G	Media agent	N/A	Advertising space for ad placements	An internet digital marketing company founded in 2017 and is principally engaged in the provision of marketing services in the PRC. It has a registered capital of RMB3 million.	2017	5 days from the receipt of invoice	Bank transfer	6,406	2.1
								Sub-total	278,546	92.5
								All other suppliers	22,264	7.5
								Total	300,810	100.0

For the year ended 31 December 2021

Rank	Suppliers	Type of media partners	Nature of media platforms operated by the media publisher for our placement of mobile ads	Major services provided to us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total cost of services	
									RMB'000	*%*
1	Supplier C[3]	Media publisher	Short video platform and news and information content platform	Advertising space for ad placements	A member of a Chinese leading internet technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2019	Prepayment	Bank transfer	123,043	32.7
2	Supplier A[2]	Media publisher	App store	Advertising space for ad placements	A member of a Chinese leading technology conglomerate company founded in 1998, which operates the largest social media and digital content platforms and app store in the PRC, with combined MAUs of approximately 1.3 billion as at 30 June 2022. The shares of its holding company were listed on the Main Board in Hong Kong in 2004 with a market capitalisation of approximately HK$2.9 trillion as at 30 September 2023.	2016	60 days from the month end after placement of ads	Bank transfer	99,618	26.5
3	Supplier H	Media publisher	Social media platform	Advertising space for ad placements	A technology company founded in 2018 and is principally engaged in the provision of digital marketing services in the PRC. It has a registered capital of RMB20 million.	2021	90 days after placement of ads	Bank transfer	60,648	16.1
4	Alibaba Group[1]	Media publisher	App store, mobile browser and search engine	Advertising space for ad placements	A member of an e-commerce giant founded in 1999, which engages in diversified businesses, including retail and wholesale commerce, logistics, cloud computing and digital media and entertainment. The shares of its holding company were listed on the Main Board in Hong Kong in 2019 with a market capitalisation of approximately HK$1.7 trillion as at 30 September 2023.	2015	Prepayment or without fixed credit period	Bank transfer	56,930	15.1
5	Supplier I[4]	Media publisher	Short video platform	Advertising space for ad placements	A member of Chinese leading technology company with development history from 2011, and operates popular content communities and social media platforms in the PRC. Its app had an average MAUs of 626.0 million for the year ended 31 December 2022. The shares of its holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$273.7 billion as at 30 September 2023.	2021	Prepayment	Bank transfer	13,003	3.5
								Sub-total	353,242	93.9
								All other suppliers	23,247	6.1
								Total	376,489	100.0

For the year ended 31 December 2022

Rank	Suppliers	Type of media partners	Nature of media platforms operated by the media publisher for our placement of mobile ads	Major services provided to us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total cost of services	
									RMB'000	*%*
1	Supplier C[3]	Media publisher	Short video platform and news and information content platform	Advertising space for ad placements	A member of a Chinese leading internet technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2019	Prepayment	Bank transfer	75,757	19.4
2	Supplier J[5, 7]	Media agent	N/A	Advertising space for ad placements	An online marketing company founded in 2019 and is principally engaged in the provision of digital marketing solutions in the PRC. It has a registered capital of RMB70 million.	2021	28 days after the placement of ads	Bank transfer	72,651	18.7
3	Supplier A[2]	Media publisher	App store	Advertising space for ad placements	A member of a Chinese leading technology conglomerate company founded in 1998, which operates the largest social media and digital content platforms and app store in the PRC, with combined MAUs of approximately 1.3 billion as at 31 December 2021. The shares of its holding company were listed on the Main Board in Hong Kong in 2004 with a market capitalisation of approximately HK$2.9 trillion as at 30 September 2023.	2016	60 days from the month end after placement of ads	Bank transfer	46,545	11.9
4	Supplier I[4]	Media publisher	Short video platform	Advertising space for ad placements	A member of Chinese leading technology company with development history from 2011, and operates popular content communities and social media platforms in the PRC. Its app had an average MAUs of 626.0 million for the year ended 31 December 2022. The shares of its holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$273.7 billion as at 30 September 2023.	2021	Prepayment	Bank transfer	41,437	10.6
5	Alibaba Group[1]	Media publisher	App store, mobile browser and search engine	Advertising space for ad placements	A member of an e-commerce giant founded in 1999, which engages in diversified businesses, including retail and wholesale commerce, logistics, cloud computing and digital media and entertainment. The shares of its holding company were listed on the Main Board in Hong Kong in 2019 with a market capitalisation of approximately HK$1.7 trillion as at 30 September 2023.	2015	Prepayment or without fixed credit period	Bank transfer	38,559	9.9
								Sub-total	274,949	70.5
								All other suppliers	114,568	29.5
								Total	389,517	100.0

For the nine months ended 30 September 2023

Rank	Suppliers	Type of media partners	Nature of media platforms operated by the media publisher for our placement of mobile ads	Major services provided to us	Background and principal business	Commencement year of business relationship	Typical credit terms	Settlement method	Transaction amount and approximate percentage of our Group's total cost of services	
									RMB'000	*%*
1.	Supplier C[3]	Media publisher	Short video platform and news and information content platform	Advertising space for ad placements	A member of a Chinese leading internet technology company founded in 2012, which operates the largest platform for short-form mobile videos in the PRC. It also launched an information platform with search engine function in 2012 in the PRC and a mobile video platform used by mobile users globally in 2017.	2019	Prepayment	Bank transfer	216,508	51.5
2.	Alibaba Group[1]	Media publisher	App store, mobile browser and search engine	Advertising space for ad placements	A member of an e-commerce giant founded in 1999, which engages in diversified businesses, including retail and wholesale commerce, logistics, cloud computing and digital media and entertainment. The shares of its holding company were listed on the Main Board in Hong Kong in 2019 with a market capitalisation of approximately HK$1.7 trillion as at 30 September 2023.	2015	Prepayment or without fixed credit period	Bank transfer	59,766	14.2
3.	Supplier I[4]	Media publisher	Short video platform	Advertising space for ad placements	A member of Chinese leading technology company with development history from 2011, and operates popular content communities and social media platforms in the PRC. Its app had an average MAUs of 626.0 million for the year ended 31 December 2022. The shares of its holding company were listed on the Main Board in Hong Kong in 2021 with a market capitalisation of approximately HK$273.7 billion as at 30 September 2023.	2021	Prepayment	Bank transfer	39,136	9.3
4.	Supplier J[5, 7]	Media agent	N/A	Advertising space for ad placements	An online marketing company founded in 2019 and is principally engaged in the provision of digital marketing solutions in the PRC. It has a registered capital of RMB70 million.	2021	Without fixed credit period	Bank transfer	29,405	7.0
5.	Supplier K	Media agent	N/A	Advertising space for ad placements	An internet digital marketing company founded in 2019 and is principally engaged in the provision of marketing services in the PRC. It has a registered capital of RMB5 million.	2021	5 days from the receipt of invoice	Bank transfer	28,498	6.8
								Sub-total	373,313	88.8
								All other suppliers	46,921	11.2
								Total	420,234	100.0

Notes:

1. Some of our suppliers are associated with each other. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, suppliers that are under the control of the same ultimate holding company, despite being separate legal entities, are group together and regarded as one single supplier. For example, Alibaba Group, which consist of (i) Guangzhou Juhe Information Technology Co. Ltd* (廣州聚禾信息科技有限公司), a company established in the PRC with limited liability on 19 January 2017; and (ii) Guangzhou Juyao Information Technology Co. Ltd* (廣州聚耀信息科技有限公司), a company established in the PRC with limited liability on 31 December 2015. They were simultaneously in the capacity as our customer for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023.

2. Supplier A was simultaneously in the capacity as Customer D during the Track Record Period.

3. Supplier C was simultaneously in the capacity as Customer A during the Track Record Period.

4. Supplier I was simultaneously in the capacity as Customer G for the year ended 31 December 2021.

5. See "Overlapping of customers and suppliers" in this section.

6. Supplier F and Customer K are group companies for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023.

7. Supplier J was simultaneously in the capacity of our customer for the year ended 31 December 2022.

All of our 5 largest suppliers in each year/period during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our 5 largest suppliers in each year/period during the Track Record Period.

Our business relationship with Supplier C, Supplier F, Supplier H and Supplier I

Our Group became acquainted with Supplier C, Supplier H and Supplier I, which are media publishers, through the introduction by the respective customer of these suppliers. And, we became acquainted with Supplier F through participation in a business conference. Supplier F was a distributor of Supplier I and we placed mobile ads on the media platform of Supplier I through Supplier F before we became a distributor of Supplier I. We strategically focus on establishing business relationship with top media partners which operate leading media platforms in the PRC. Although we became a distributor of Supplier I in February 2021, we still maintained business relationship with Supplier F because Supplier F is a media agent and we can purchase advertising space for placement of mobile ads on other media platforms through Supplier F. Thus, there is no cessation of our business relationship with Supplier F. As leading technology companies in the market, the media platforms operated by Supplier C, Supplier H and Supplier I tend to attract a wide spectrum of mobile users and therefore our Directors believe that the mobile ads of our customers placed on these media platforms can generally reach a wide spectrum of mobile users and enhancing exposure and advertising effect. Moreover, media publishers would consider and assess the performance of its distributors by taking into account various factors, including, among others, historical advertising transaction amounts, and would generally renew agreements with its distributors on annual basis. In order to maintain our business relationship with media publishers, we would generally maintain our transaction amounts with them as and when it is possible. Further, the number of our media publishers is limited during the Track Record Period. Based on the above and taking into account our customers' needs to publish mobile ads on popular media platforms to reach a wide spectrum of mobile users, our advertising space acquired from these suppliers increased during the Track Record Period.

Our relationship with media publishers

It is our business strategy to develop and maintain an extensive network for distribution of mobile ads on a balanced mixture of media platforms with different contents and nature. During the Track Record Period, we had successfully expanded our network for ad distribution. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers are generally leading technology companies in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our cost of services mainly comprises costs for acquiring advertising space from media publishers which accounted for approximately 87.1%, 93.8%, 56.5%, 66.3% and 75.4% of our cost of services for the corresponding years, respectively. We rely on our media publishers for distribution of mobile ads to mobile users for our customers. Although we are a small player in the mobile advertising industry which is competitive, we believe that we are a valuable business partner of our media publishers based on the followings:

- **Our ability to provide value-added services to advertisers:** We are able to provide comprehensive services, including mobile marketing planning, traffic acquisition, production of ad creatives, ad placements, ad optimisation, ad campaign management and ad distribution to advertisers. Our mobile advertising services are supported by our in-house content production team for creation and design of ad contents in different formats (such as texts, images and/or short videos), which are tailored to meet marketing goals of our customers. According to the iResearch Report, advertisers are in greater need of value-added services provided by online marketing solutions providers to achieve better marketing effectiveness. However, media publishers (which are our major suppliers) generally do not offer such value-added services as they have to invest time and efforts to learn about advertisers' diverse and evolving marketing needs and closely monitor campaign performance to achieve desired advertising results. Therefore, we bridge the gap between media publishers and advertisers, while serving our customers with different services on the one hand while ensuring continuous flow of mobile ads to be placed onto the media platforms operated by the media publishers, which generate revenue for the media publishers;

- **Our ability to create ad contents to better monetise user traffic for media publishers:** Our Group can formulate mobile marketing plans and create ad contents in different formats to meet the diverse demands of customers. The production capacities of our Group are well recognised by our suppliers. In 2020, we received the credit as "Outstanding Business Partner (傑出合作夥伴)" from our media publisher, namely Alibaba Group. In 2021, we were awarded as "The Most Creative Agency (最具創意代理)" of our media publisher, namely Alibaba Group. In 2022, we received the "Creative Marketing Case Award (創意營銷案例獎)" and the "Content Creation Award (內容創造獎)" from our major media publishers. In 2023, our mobile ads were recognised and selected as "Top 15 in the Marketing Case Competition Award for the Year of 2023 (2023年營銷大賞案例大賽前十五大)" by our media publisher, namely Alibaba Group. We believe we are able to create ad contents that mobile users are interested in and we are able to produce ad contents that can gain attraction and thereby assist the media publishers in monetising their advertising space; and

- **Our established business relationship with customers with different scale and advertising needs:** We have accumulated extensive experience in provision of mobile advertising services and understanding marketing needs of customers from different industries. And, we have established business relationship with customers covering fast growing technology companies, well-established social networking software developers and leading content app developers in the PRC. In addition, some of our major customers are leading companies in their respective industries. We believe that these customers generally have stronger advertising needs for promotion of their products and services on media platforms operated by our media publishers, which may lead to higher traffic acquisition and more advertisements placed with our media publishers, thereby facilitating the monetisation of user traffic by our media publishers and are mutually beneficial to our Group and our media publishers.

Media platforms with different focus would attract mobile users with diverse habits and preferences. Our purchase of advertising space from media publishers would generally be affected by our customers' advertising plans and marketing goals to attract target mobile users. For the year ended 31 December 2022, there was a decrease in our acquisition of advertising space from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms.

Cessation of our business relationship with Supplier A

In May 2023, our Group ceased to be a direct distributor of Supplier A due to the change of eligibility criteria of distributors on part of Supplier A to meet its new business needs. As a distributor of Supplier A, we could place mobile ads on the app store operated by Supplier A. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, Supplier A accounted for approximately 31.3%, 26.5%, 11.9% and 0.1% of our cost of services, respectively. Having considered that (i) there is a change of browsing habits of mobile users due to the general increasing adoption of 5G mobile technologies and our enhanced video production capacities and, thus, our customers tend to place mobile ads in video format in place of mobile ads in still image and text format on app stores and our revenue generated from mobile ads in still image and text format placed on app stores accounted for approximately 29.4%, 22.8%, 9.6% and 1.1% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively, (ii) we are the direct distributor of Alibaba Group which also operates app stores to meet our customers' demands for placement of mobile ads, (iii) we can place mobile ads on the app store operated by Supplier A through other media agents if there are needs for placement of mobile ads on the app store operated by Supplier A, and (iv) the expansion of our network to distribute mobile ads on the popular search-plus-feed app of the new media publisher in March 2023, our Directors are of the view, and the Sole Sponsor concurs, that the cessation of our business relationship with Supplier A would not have material impact on our business performance and financial position.

Suppliers concentration

We acquire advertising space (i) directly from our media publishers or (ii) indirectly from our media agents for placement of mobile ads on media platforms designated by us. For the years ended 31 December 2020, 2021 and 2022, our 5 largest suppliers in each year/period during the Track Record Period aggregately accounted for approximately 92.5%, 93.9% and 70.5% of our total cost of services, respectively. 2 out of 5 largest suppliers, namely Alibaba Group and Supplier C, had stayed with our Group throughout the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (i) Alibaba Group accounted for approximately 21.9%, 15.1%, 9.9% and 14.2% of our cost of services, respectively; and (ii) Supplier C accounted for approximately 33.8%, 32.7%, 19.4% and 51.5%, of our cost of services, respectively, and they aggregately accounted for approximately 55.7%, 47.8%, 29.3% and 65.7% of our total cost of services for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, respectively. Our Directors consider that such suppliers concentration is not uncommon in the mobile advertising industry in the PRC and our business model is sustainable after having considered the following factors:

(i) according to the iResearch Report, in terms of advertising revenue generated directly from media platforms, the top 5 internet enterprises, namely Alibaba, ByteDance, Pinduoduo, Tencent and Baidu, occupied over 75% of the market share in the mobile advertising industry in the PRC in 2022 and it is not uncommon for mobile advertising service providers in the PRC to acquire advertising space for placement of mobile ads from a few operators of media platforms;

(ii) Alibaba Group and Supplier C are well-established and fast-growing technology companies in the PRC. They are prominent market players which operates several media platforms with different contents to attract mobile users with diverse habits and preferences. We have established years of business relationship with each of them. We served as a distributor of Alibaba Group and Supplier C for approximately 8 and 4 years, respectively. We entered into agreements with each of them with similar terms as their distributors and we are able to renew the agreements with them annually since the year we commenced business relationship with them. During the Track Record Period and up to the Latest Practicable Date, there was no termination or material adverse change of our business relationship with them and there has been no material change in our contract terms with them; and

(iii) we strategically focus on establishing business relationship with top media partners which operate leading search engine platforms, news and information content platforms, short video platforms, app stores and social media platforms in the PRC. We believe we will be able to achieve better operational efficiency by focusing our resources on certain top leading media platforms, in which our staff may be more familiarised with the procedures in carrying out the ad inventory bidding process and data extraction procedures of specific media platforms. We are committed to expanding our network for ad distribution and have successfully expanded our network for ad distribution. We established new business relationship with 2 media publishers in 2021. Our Directors consider that we can continue to explore new cooperation opportunities with new media platforms to expand our network for ad distribution and reduce our reliance on Alibaba Group and Supplier C.

See "Risk factors — Risks relating to our business and industry — We rely on our 5 largest suppliers in each year/period during the Track Record Period, particularly Alibaba Group, Supplier A and Supplier C, to acquire advertising space for placement of mobile ads" in this prospectus in relation to the position on concentration of suppliers.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

We provide mobile advertising services to some of our media partners, which have advertising needs to market their brands, products and/or services on media platforms operated by other media partners. For instance, our media partners may have the advertising needs to promote their mobile apps on media platforms operated by others to maximise their exposure to target mobile users. As we have established a network for ad distribution, we can acquire advertising space for our customers, which are also operators of media platforms, for placement of their mobile ads on media platforms operated by other media partners. Therefore, some of our major suppliers were also our customers (or vice versa) during the Track Record Period. During the Track Record Period, there was no placement of mobile ads of our customers (which are also our media partners) on the media platforms which are operated by the same customers. According to the iResearch Report, the operation of media platforms in mobile advertising industry is highly concentrated with the top 5 players aggregately accounted for more than 75% of the market share in the mobile advertising industry in the PRC in 2022 and it is not uncommon for them to become both our customers and suppliers if they both conduct business through us. Moreover, according to the iResearch Report, it is common that operators of media platforms would engage mobile advertising service providers for mobile advertising services to market their brands, products and/or services on other media platforms. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis with their different respective group companies by responsible personnel from different departments of our Group, and the provision of our mobile advertising services to them and our acquisition of advertising space from them were neither inter-connected nor inter-conditional with each other and there was no set-off of receivables with payables during the Track Record Period. Our Directors confirmed that all of our sales to and purchase from these overlapping customers and suppliers were carried out in the ordinary course of business under normal commercial terms and on arm's length basis and are in line with terms no less favourable than other customers or suppliers. The following paragraphs set out the details of the aggregate traffic acquisition costs and revenue, gross profit and gross profit margin attributable to our 5 largest suppliers which also being our 5 largest customers in each year/period during the Track Record Period (based on gross basis for our mobile advertising solutions services and net basis for our advertisement distribution services), or vice-versa, during the Track Record Period.

For the year ended 31 December 2020, our aggregate traffic acquisition costs attributable to Supplier A and Supplier C, being 2 of our 5 largest suppliers of the year concerned, amounted to approximately RMB196.0 million, of which Supplier A accounted for approximately RMB94.2 million. For the same year ended 31 December 2020, the aggregate revenue attributable to Supplier A and Supplier C amounted to approximately RMB229.1 million, representing approximately 60.7% of our total revenue, and the gross profit amounted to approximately RMB15.1 million with gross profit margin of approximately 6.6%.

For the year ended 31 December 2021, our aggregate traffic acquisition costs attributable to Supplier A, Alibaba Group, Supplier C and Supplier I, being 4 of our 5 largest suppliers of the year concerned, and Supplier F amounted to approximately RMB295.4 million, of which Supplier A and Supplier C in aggregate accounted for approximately RMB222.7 million. For the same period, the aggregate revenue generated from mobile advertising solutions services attributable to Supplier A, Supplier C, Supplier F and Supplier I amounted to approximately RMB143.0 million, representing approximately 30.4% of our total revenue, of which Supplier A and Supplier C amounted to approximately RMB120.4 million. The gross profit generated from mobile advertising solutions services amounted to approximately RMB23.2 million with gross profit margin of approximately 16.2% (excluding gross profit generated from advertisement distribution services attributable to Alibaba Group and Supplier I which have 100% gross profit margin as a result of the accounting treatment of net method). For the same period, the revenue generated from advertisement distribution services attributable to Alibaba Group and Supplier I amounted to approximately RMB1.4 million.

For the year ended 31 December 2022, our aggregate traffic acquisition costs attributable to Supplier A, Alibaba Group, Supplier C and Supplier J, being 4 of our 5 largest suppliers of the year concerned, and Supplier F amounted to approximately RMB235.4 million, of which Supplier A and Supplier C in aggregate accounted for approximately RMB122.3 million. For the same period, the aggregate revenue generated from mobile advertising solutions services attributable to Supplier C was approximately RMB38.7 million, representing approximately 7.8% of our total revenue. For the same period, the revenue generated from advertisement distribution services attributable to Alibaba Group and Supplier J was approximately RMB0.3 million.

For the nine months ended 30 September 2023, our aggregate traffic acquisition costs attributable to Supplier C, being 1 of our 5 largest suppliers for the period concerned, and Supplier F amounted to approximately RMB216.9 million, of which Supplier C accounted for approximately RMB216.5 million. For the same period, the revenue generated from mobile advertising solutions services attributable to Supplier C was approximately RMB58.0 million, representing approximately 11.7% of our total revenue. For the same period, the revenue generated from advertisement distribution services attributable to Supplier F was approximately RMB27.5 million.

The terms and conditions of the framework agreements entered by our Group and these overlapping customers and suppliers during the Track Record Period were generally in standard terms and there were no preferential terms in our transactions arising from the overlapping relationship. See "Our customers — Key terms of agreements with our customers" and "Our media partners — Key terms of agreement with our media partners" in this section.

SALES AND MARKETING

We believe that our capabilities in providing services and assisting our customers to achieve their expected KPIs are the key to building up and maintaining our customer base. As at 30 September 2023, we have a sales and marketing team comprising 13 staff. The team is organised into 3 groups for catering various business development activities, namely, large-scale customers, small and medium-sized enterprises customers and industry-specific customers. Our marketing efforts are focused on deepening our relationship with existing customers and media partners to effectively manage their business needs and attract other business opportunities within their same groups, developing relationship with new and potential customers as well as exploring new business opportunities with emerging media platforms. We usually procure new customers through, (i) business referral by our media partners, (ii) participation in tenders and (iii) social and business network of our sales and marketing team (via participating in industry conferences, business meetings or other business social events). We expand our network for ad distribution from time to time and introduce suitable media platforms to our existing customers to optimise publicity of mobile ads and extend their advertising budget with us. We target our customers based on a combination of factors, such as reputation, industry, credibility and the level of consumption. Our sales and marketing team is mainly responsible for regularly checking and reporting the progress of the projects to our customers by analysing the database on our self-developed platform and reconciliation of trade receivables with our finance department.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our selling and marketing expenses amounted to approximately RMB3.0 million, RMB3.9 million, RMB4.2 million and RMB2.5 million, respectively, accounting for 0.8%, 0.8%, 0.8% and 0.5% of our total revenue, respectively.

Customer complaint management

We believe that our customers are crucial to our business and hence we value their feedbacks and suggestions. During the ordinary course of our business operations, we receive feedback, suggestions and complaints from our customers from time to time regarding the quality of our services and the performance and effectiveness of our ad placements according to their expectations. In order to manage our customers' feedbacks and complaints promptly, we provide a broad range of channels for our customers to easily and quickly send complaints and provide feedbacks. For instance, telephone number, email or WeChat account. Our sales and marketing staffs record, process and respond to our customers' feedbacks, suggestions and complaints and conduct follow-up reviews of the results of our responses through such channels. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not receive any complaint from our customers which would have a material adverse effect on our business, reputation, financial position or results of operations.

DATA SOURCES

Since we generally provide our mobile advertising services to business customers only, we do not collect or store any personal data of mobile users, such as individual user name, phone number and personal ID, that distinguish the identity of a real person. The behaviour data of mobile users we can obtain from our media partners are generally summarised information of mobile users (such as data on number of clicks and views and user interest) and do not contain personal data, such as phone numbers and personal identification numbers. The behaviour data of mobile users we have access to are provided and collected by our media partners through the apps operated by the media partners and we do not operate any apps which can collect mobile users' data directly. For our mobile advertising solutions services and advertisement distribution services, we receive a wide variety of raw data on a real-time basis from the media platforms, which include ad performance data, such as impressions, video views, click-throughs, conversion rates and cost per conversion. We also collect additional data that are provided by customers, including pre-ad interaction events such as account registration and activation and placement of order, which are not readily available through analysis of raw data provided by media platforms. The personal information under the Personal Information Protection Law of the PRC (《中國個人信息保護法》) refers to any kind of information related to an identified or identifiable natural person which is recorded in electronic form or other manners. As advised by our PRC Legal Adviser, on the basis that all data we obtained from our media partners does not contain any information which enable us to identify a specific natural person as mobile user according to the Personal Information Protection Law and other relevant rules and, thus, such data is not personal information; and the Personal Information Protection Law and other relevant rules do not require any consent of mobile users relating to the provision of non-personal information data from original collector to third parties. As further advised by our PRC Legal Adviser, the collection of data through our Group's self-developed platform for analysing the responses of mobile users and performance data of mobile ads are not subject to the Personal Information Protection Law on the basis that the data we can obtain and analyse does not contain any personal information which enable us to identify a specific natural person as mobile user. Nonetheless, to protect our data, we have adopted various policies on daily operation and database operation to prevent information leakage and loss of data. For details, see ''Risk management and internal control — Information technology risk management'' in this section. See ''Risk factors — Our business is subject to complex and evolving laws and regulations, which may be relatively new'' and ''Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection'' in this prospectus.

CYBER DATA SECURITY

On 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) of the PRC (《中國網絡數據安全管理條例(徵求意見稿)》) (the ''**Draft Regulation**'') was proposed by the CAC for public comments. The Draft Regulation provides that, among others, an application for cyber security review shall be made by any entity which is regarded as a ''data processing operator'' if such entity (i) is an internet platform operator which is in possession of a large amount of information related to national safety, economic development and public interests which is undergoing merger, restructuring or separation or otherwise affect or might affect national security; (ii) processes personal information of more than 1 million users and is contemplating an overseas listing; (iii) is contemplating a listing in Hong Kong and will or might affect national security; or (iv) is undertaking any data processing activities which will or might affect national security. However, the Draft Regulation provides no further explanation or interpretation for ''affects or may affect national security'', and there is substantial uncertainty as to its eventual introduction and entry. As advised by our PRC Legal Adviser, the exact scope of ''affects or may affect national security'' under the Draft Regulation and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws.

The Draft Regulation also requires data processors to be responsible for the security of the data processed and perform data security protection obligations and establish emergency mechanisms and data security management systems. Our Group collects and stores internet data received from our media partners, such as behaviour data of mobile users and ad performance data, for analysing purposes. Thus, as advised by our PRC Legal Adviser, it is likely that our Group would be treated as a data processing operator under the Draft Regulation, if implemented in its current form.

Our PRC Legal Adviser further advised that, despite that we may be treated as a data processing operator, the risk that we would be required to apply for cybersecurity review under the Draft Regulation for the proposed Listing is low for the following reasons: (a) the platform used by us in our business operations was not opened for access by the public and it was an internal business management platform with major functions of accounting and financial management, operation and order management, data management and customer information management, and therefore we do not fall within the scope of "internet platform operator"; (b) we had not collected or stored any mobile users' personal information through the platform, as the information we analysed was obtained from our media partners instead of mobile users and such data does not contain any information which enable us to identify a specific natural person as mobile user, such as individual user name, phone number and personal identification number; (c) despite that the Draft Regulation provides no further explanation or interpretation for "affects or may affect national security", the risk that the Listing in Hong Kong will or might affect national security is low, because (i) information we obtained is based on our daily business operation for providing better mobile advertisements service and was unlikely to constitute important data or core data as defined in the Draft Regulation; (ii) we have implemented and has been continuously improving a comprehensive set of internal policies, procedures, and measures to ensure secure data storage and minimise the risk of data leaked; and (iii) as at the Latest Practicable Date, we had not been subject to any investigation, inquiry, or sanction in relation to cybersecurity or data security or any cybersecurity review from the CAC, or any other relevant government authority.

Our Group has put in place various internal control policies and measures for data protection and security, for instance, (i) routine examination of proper data storage, (ii) anti-virus enhancement of our internet server, (iii) control of access of data by a list of authorised staff, (iv) restricted use of data by the authorised staff, (v) access of data with passwords which shall be changed regularly, (vi) review of user accounts and access records on a monthly basis and (vii) regular trainings in relation to information security organised by our technology support and development team. We will closely monitor the development of the regulatory environment and may enquire the PRC government authorities, as and when necessary, regarding the latest development of and requirements under the Draft Regulation and any other applicable new regulations. Moreover, we will seek external legal advice from time to time and take necessary measures in a timely manner. We have implemented and have been continuously improving a comprehensive set of internal policies, procedures, and measures to ensure the data security including regular test of system security and update of anti-virus software and graded access authority. During the Track Record Period and up to the Latest Practicable Date, our Group had not collected or stored any mobile users' personal information through its platform. Based on the above, our PRC Legal Adviser is of the view that our Group complies with or will be able to comply with the Draft Regulation (assuming that the Draft Regulation are implemented in the current form) in all material aspects. See "Business — Risk management and internal control — Information technology risk management" in this prospectus. Our Directors and our PRC Legal Adviser are of the view that the Draft Regulation, if implemented in its current form, would not have a material adverse impact on our business operations, our financial performance, or the Global Offering. See "Risk factors — Our business is subject to complex and evolving laws and regulations, which may be relatively new" in this prospectus. For a detailed discussion of applicable laws and regulations regarding cybersecurity, data privacy, and data protection, see "Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection" in this prospectus.

CYBERSECURITY

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the New CAC Measures, which came into effect on 15 February 2022 and would repeal the previous version promulgated on 13 April 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of the Company, with China Cybersecurity Review Technology and Certification Center ("**CCRC**"), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that listing in Hong Kong will not be deemed as listing abroad under the New CAC Measures. Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the definition of "abroad" in the provision; (ii) our Group had not been notified by any authorities of being classified as a critical information infrastructure operator, and according to relevant rules, the relevant authorities must notify operators if they are categorised as critical information infrastructure operators; (iii) our possession of personal information of the main contact persons of our customers is far less than 1 million as our business mainly involved provision of mobile advertising services for enterprise advertisers instead of end consumers and our Group does not possess any mobile users' personal information; and (iv) our Group had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the New CAC Measures during the Track Record Period and up to the Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures.

However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. For related risks, see "Risk factors — Our business is subject to complex and evolving laws and regulations, which may be relatively new" in this prospectus. For a detailed discussion of applicable laws and regulations regarding cybersecurity, data privacy, and data protection, see "Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection" and "Regulatory overview — Overseas listing" in this prospectus.

REGULATORY DEVELOPMENT OF INTERNET ADVERTISING

On 25 February 2023, the SAMR promulgated the Administrative Measures for Online Advertising (《互聯網廣告管理辦法》), which became effective on 1 May 2023 and the Interim Administrative Measures for Online Advertising (《互聯網廣告管理暫行辦法》 was abolished simultaneously. Pursuant to the Administrative Measures for Online Advertising, commercial advertising activities conducted within the territory of the PRC to directly or indirectly promote a product or service through text, images, audio, video, or any other form, using any website, web page, web application, or other online media, shall be governed by such measures and the Advertising Law. An advertising agent or advertising publisher shall establish, improve and implement systems for the receipt and registration, moderation, file management in respect of their online advertising business. Also, advertising agents and advertising publishers shall cooperate, in accordance with the law, with the investigation of the online advertising industry conducted by market regulatory authority, and provide truthful, accurate, and complete information in a timely manner. The Administrative Measures for Online Advertising further provides that an online ad shall be identifiable so that it can be clearly identified by consumers as an advertisement. Any paid search ad for a product or service shall be prominently indicated as an "advertisement" by the advertising publisher to distinguish it from natural search results. When publishing an online ad in forms such as in pop-up form, the advertiser and the advertising publisher shall prominently display a close symbol to ensure that it can be closed in one click. It is prohibited to deceive or mislead users into clicking or browsing an ad through certain means. For details, see "Regulatory overview — Laws and regulations relating to advertising business — Internet advertising" in this prospectus. As the Administrative Measures for Online Advertising were adopted and became effective, we established a designated team comprising 2 to 3 staff to carry out the following duties: (i) reviewing the veracity of the ad contents of mobile ads by examining related supporting documents provided by our customers; (ii) checking the ad contents of the mobile ads before ad placement; and (iii) prohibiting our customers from publishing the advertisement if the ad contents and the supporting documents do not match with each other or the documentary evidence thereof are insufficient. We also adopt an automatic ad contents review function on our self-developed platform for detecting and identifying ad contents. For details, see "Strategies and future plans — Enhance and upgrade the functions of our self-developed platform" in this section and "Future plan and use of proceeds — Use of proceeds" in this prospectus. Furthermore, we established, improved and implemented our systems for the receipt and registration, moderation and file management in respect of our online advertising business; thus, it would increase our costs in maintaining the information technology management systems on our self-developed platform and the third party online storage platforms where we store our operational data to prevent information leakage and loss of data. For details regarding our measures in ensuring the information security, see "Business — Risk management and internal control — Information technology risk management" in this prospectus.

Our Directors consider that there is an increase in our operating costs and/or administrative expenses; however, such costs and expenses are not material to our Group. As (i) our Group adopted and implemented stringent internal control on design and production of mobile ads, (ii) to the best of our Directors' knowledge, our Group had not been subject to any investigation, inquiry, or sanction in relation to any activity relating to our provision of advertising services; (iii) as of the Latest Practicable Date, to the best of our Directors' knowledge, there had been no legal, administrative or governmental proceedings pending or threatened against or relating to our Group with respect to cybersecurity, data security and personal information protection; and (iv) we have been constantly monitoring and will continue to monitor and assess the latest legislative and regulatory development of internet advertising and will continually amend our internal policies in response to new regulatory developments and take any necessary measures in a timely manner to comply with the requirements thereof if and when they come into effect, our Directors are of the view that, and the Sole Sponsor and our PRC Legal Adviser concur that, the Administrative Measures for Online Advertising would not have a material adverse effect on our business, results of operations and financial condition. Having considered that (i) our Group has established, adopted and implemented our internal system for the receipt and registration, moderation and file management for our online advertising business in accordance with the Administrative Measures for Online Advertising and (ii) our Group had not been subject to any investigation, inquiry, or sanction in relation to any activity relating to our provision of advertising services as at the Latest Practicable Date, our PRC Legal Adviser is of the view that our Group has complied with the requirements under the Administrative Measures for Online Advertising in all material aspects.

INFORMATION TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Our information technology capabilities are crucial to our business operation, as we rely on the ability of our software and information technologies to obtain up-to-date advertising-related information, which enables us to provide tailor-made advertising and marketing advice to our customers, in particular the initial advertising proposals and the post-publication monitoring reports. Our information technology system is also important to other aspects of our daily operation, such as accounting and financing, which we rely on our internal accounting system to calculate the billing amounts of invoices for our customers. We also research for new format of mobile ads, including mobile ads in video format and layout, in order to fit into different media platforms and broaden the variety of services we offer. Therefore, we are committed to continually enhancing and innovating our services, solutions and technologies. Our research and development process is primarily driven by customer demands and involves collaborative efforts across multiple teams, such as sales and marketing, and business and platform operations.

As at 30 September 2023, our technology support and development team, comprising 10 staff, is located in Guangzhou, Guangdong, the PRC. The majority members of the team were graduated from computer science or other relevant discipline with more than 3 years of work experience. They are primarily responsible for developing, enhancing and maintaining our in-house system, which is our self-developed platform with integrated applications for internal use as our ERP (enterprise resource planning) system for management and operation of our business systemically. The major features of our platform cover accounting and financial management, operation and order management, data management and customer information management. Through this platform, we can integrate performance data of our mobile ads from our media partners, analyse performance data for optimising overall results of mobile ads, review and oversee status of customers' orders and record our operating data and financial data. The platform also assists us in the management of resources for our production of mobile ads. Such system comprises various interfaces, such as summary of the customers' details, historical records of customers' distribution of mobile ads and prepayments on respective media platform operators and records of opening and topping up in the designated accounts. To enhance our work efficiency among various departments within our Group, we launched our self-developed platform for internal use.

We outsource part of our information technology system development work to Independent Third Parties, which are mainly responsible for our system upgrade and development of various software programmes for trial basis. The upgrade components will then be integrated into our self-developed platform and information technology system. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we incurred total expenditures in our research and development, including information technology system development, of approximately RMB12.5 million, RMB7.5 million, RMB7.5 million and RMB5.3 million, respectively, of which all were booked as expenses in the consolidated statements of comprehensive income. When we choose a third-party developer, we consider its relevant technical level as the most important factor which we will conduct a follow-up evaluation during the process of cooperation. We also consider the third-party developers' track record in our industry and business nature and their precautionary measures in data security. Regarding the fee quotation of a third-party developer, it mainly depends on the functions of the system development projects and the estimated labour cost involved which are based on the industry norms.

Our development process is continuously driven by innovation from our research and development team and understanding on our customers' needs. We encourage our employees to maintain close communications with our customers to understand their needs in order to contribute to the exploration of new concepts for our research and development. After launching a research and development project, we continuously monitor and analyse system performance and continue to optimise our system's functions and performance.

QUALITY CONTROL

As advised by our PRC Legal Adviser, as an advertising operator, we are subject to criminal, administrative and civil liabilities pursuant to the Advertising Law. In particular, we may face liabilities in the event that the mobile ads we arranged to be published contravene with the provisions of the Advertising Law.

We take adequate precautions to ensure that the ad contents delivered by us is not false, fraudulent, misleading, or otherwise illegal, so not to prejudice our established business relationships with the suppliers and the media platforms. For example, we impose contractual obligations on our customers to ensure that their ad contents, including the ad design and production, complies with relevant laws and regulations. For those ad contents provided by our customers, they are contractually responsible for ensuring their compliance with national laws and regulations and not infringing any third party's intellectual property rights. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group has not been imposed any administrative penalties or involved in any litigation/arbitration for violating the Advertising Law in respect of any published ad contents that it designed, produced or provided relevant agency services for to a material extent.

SEASONALITY

During the Track Record Period, we did not experience significant seasonality. However, in the mobile advertising industry, as far as we are aware, many advertisers generally allocate the largest portion of their advertising budgets in holiday seasons and on special promotional occasions, which mostly take place in the second half of the year, when increased consumer spending is expected. As we have established business relationship with customers from a wide array of industries, our historical revenue growth had generally masked the impact of any seasonality with respect to customers from different industries. We expect our revenue to fluctuate based on seasonal factors that affect the mobile advertising industry as a whole. Our Directors believe that we did not experience material fluctuations in our operations due to seasonality during the Track Record Period.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

In response to COVID-19 pandemic, including the outbreak started in or around February 2022 in various areas in China, the PRC government has imposed various measures, including temporary closure of corporate offices, retail outlets and manufacturing facilities, travel restrictions, strict implementation of quarantine measures and lockdown measures in various cities or districts in China, to constrain the spread. And, the PRC government imposed a lockdown in Shanghai and required employees in various districts in Beijing to work remotely from home. Some of our customers are located in Shanghai and Beijing. These control measures have caused a decline in certain business activities in the country. In response to various control measures, we adjusted our operations to ensure that our staff can work remotely from home. We have not experienced any business suspension as a result of the COVID-19 pandemic. However, due to disruptions to logistics and transportation services in certain regions, quarantine measures and travel bans, our face-to-face meetings with customers were limited. Such limitations have impacted our operational efficiency to a certain extent. And, the control measures and the decline in business activities in the country may also affect the business operations and the marketing and advertising plans and budgets of our customers and may slow down their payment process. It in turn has had a negative impact on the demand for our services and our results of operations in 2020. However, we were able to deliver a robust growth in revenue in 2021. Our revenue increased by approximately 24.5% from approximately RMB377.7 million for the year ended 31 December 2020 to approximately RMB470.2 million for the year ended 31 December 2021. Our gross profit increased by approximately 21.9% from approximately RMB76.9 million for the year ended 31 December 2020 to approximately RMB93.7 million for the year ended 31 December 2021.

In respect of the outbreak of COVID-19 pandemic started in or around February 2022, our Directors consider that such outbreak has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date because (i) our Group has implemented measures to ensure that our staff can work remotely from home and keep physical and social distance at office, (ii) there is no disruptions to our business operations due to the outbreak of COVID-19 pandemic, and (iii) our Group did not experience any significant reduction in the demand for our mobile advertising services up to the Latest Practicable Date. To the best knowledge and belief of our Directors, there was no material reduction of our customers' advertising budgets with us as a result of the COVID-19 outbreak. Our Directors believe that, based on information up to the Latest Practicable Date, the outbreak of COVID-19 pandemic would not have material impact on our business and financial performance. Our total revenue increased from approximately RMB470.2 million for the year ended 31 December 2021 to approximately RMB492.6 million for the year ended 31 December 2022 and from approximately RMB350.7 million for the nine months ended 30 September 2022 to approximately RMB497.3 million for nine months ended 30 September 2023.

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in China, given that (i) demand for mobile advertising services from customers in certain sectors increased sharply; (ii) customers have been reallocating their marketing budgets from offline to online, due to restricted offline marketing activities during the COVID-19 outbreak; and (iii) the first quarter of each calendar year is generally the off-peak season for online short video marketing. The average daily time spent online by mobile users was 5.5 hours in China in 2022, approximately 3.4% more than that in 2021. The COVID-19 pandemic and the rapid development of mobile information technology are the two core reasons for this increase. It is expected by iResearch that there will be an increase in the average daily time spent online by mobile users because of the continuous escalation of mobile terminal equipment. The market size of mobile advertising industry in the PRC increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022, with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027.

As at the Latest Practicable Date, we were closely monitoring the development of COVID-19 in China. The zero-COVID policy was modified at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022 in China. However, there remains significant uncertainties associated with COVID-19 pandemic, including the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See "Risk factors — Risks relating to our business and industry — We face risks related to natural disasters and health epidemics" and "Risk factors — Risks relating to doing business in the PRC — The PRC's economic and social conditions and government policies, as well as the global economy, may continue to affect our business" in this prospectus.

COMPETITION

According to the iResearch Report, the mobile advertising industry in the PRC is fragmented and competitive with the 5 largest players accounting for approximately 9.6% of market share in terms of gross billing in 2022. We are one of the service providers in the mobile advertising industry in the PRC with a market share of approximately 0.1% in terms of gross billing in 2022.

We also experience significant competition for experienced personnel, including management and editors. Our growth thus depends in part on our ability to retain our existing personnel and recruit experienced employees. See "Risk factors — Risks relating to our business and industry — The competition of the mobile advertising industry is fragmented and competitive" in this prospectus.

See "Competitive strengths" in this section and "Industry overview" in this prospectus.

AWARDS AND RECOGNITIONS

We have received certain awards and recognitions from various organisations in the mobile advertising industry. The following table sets forth some of the awards and recognitions we have received during the Track Record Period:

Year	Award/Accreditation	Awarding institution
2020	High and New Technology Enterprise Certificate (高新技術企業證書)	Beijing Municipal Commission of Science and Technology (北京市科學技術委員會), Beijing Municipal Bureau of Finance (北京市財政局) and Beijing Municipal Taxation Bureau, SAT
2020	Zhongguancun High and New Technology Enterprise Certificate (中關村高新技術企業證書)	Zhongguancun Science and Technology Park Management Committee (中關村科技園區管理委員會)
2020	Outstanding Business Partner (2020年度傑出合作夥伴)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)
2020	KA Internet Service Industry Agency (2020年度KA網服行業代理商)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)

Year	Award/Accreditation	Awarding institution
2020	KA Core Agency (2020年度KA核心代理商)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)
2021	KA Core Agency (2021年度KA核心代理商)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)
2021	KA Channel Outstanding Partner for The First Half of The Year (2021年上半年KA渠道傑出合作夥伴) — Orange Heart Service Pioneer Award (橙心服務先鋒獎) and Orange Heart Service Contribution Award (橙心服務貢獻獎)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)
2021	Marketing Awards for The First Half of The Year (2021年上半年營銷大賞) — Star of the Industry Award (行業之星獎) and The Most Creative Agency Award (最具創意代理獎)	Ali Innovative Business Group Intelligent Marketing Platform (阿里創新業務事業群智能營銷平台)
2022	Creative Marketing Case Award (創意營銷案例獎)	Ocean Engine (巨量引擎)
2022	Content Creation Award (內容創造獎)	Magnetic Engine (磁力引擎)
2023	Top 15 in the Marketing Case Competition Award for the Year of 2023 (2023年營銷大賞案例大賽前十五大)	Alibaba Group Super Huichuan Advertising Platform (阿里巴巴集團超級匯川廣告平台)

INSURANCE

During the Track Record Period, we provided social security insurance policies for our employees in the PRC, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance, medical insurance and housing funds. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. During the Track Record Period, we had not make any material insurance claims in relation to our business. Our Directors believe that our insurance coverage is adequate and in line with the industry norm. We would review and make necessary and appropriate adjustments to our insurance coverage from time to time. We expect that we will maintain directors' and officers' liability insurances for the executive Directors and executive officers of our Company on or before Listing.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

In view of the business nature of our Group, we do not operate any production facilities. We therefore are not exposed to significant health, safety or environmental risks. Our business operations are subject to various PRC labour laws and regulations related to employee health and work safety and environmental protection and to ensure compliance with applicable laws and regulations. We have our work safety policies to ensure that our operations are in compliance with applicable safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents in the course of our operations concerning occupational health or safety, nor were we subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Upon Listing, our Board will bear the overall responsibility for our Group's environmental, social and governance ("**ESG**") matters. We have coordinated efforts across different departments such as our human resources and sales and marketing departments, led by our senior management, to report on ESG issues to our Board. Our management is responsible for establishing, adopting and reviewing ESG-related policies, metrics and targets, as well as assessing, defining and addressing ESG-related risks regularly. In addition, we undertake to establish an ESG working group, which will comprise our chief executive officer, our chief operating officer and the chairman of our Audit Committee, within 1 year of the Listing to assist our Board to oversee ESG governance. Our Group will comply with the ESG reporting requirements upon Listing pursuant to Rule 13.91 of the Listing Rules, and disclose qualitative and quantitative information and data pursuant to Chapter 4.3 under the Guide for New Listing Applicants published by the Stock Exchange and Appendix C2 to the Listing Rules in its ESG Reporting Guide.

Regarding corporate governance structure and responsibilities of our Group, our Board is responsible for (i) delegation of powers and authorities to the ESG working group and supervise day-to-day ESG matters, (ii) bearing the overall responsibilities for performing the ESG duties, (iii) establishing the basic ESG management structure of our Group; (iv) setting ESG goals and targets for our Group; and (v) reviewing ESG performance of our Group on a regular basis, whereas the ESG working group to be set up will be responsible for (i) developing and reviewing ESG responsibilities, vision, objectives, strategies, framework, principles and policies of our Group; (ii) strengthening the materiality assessment and reporting process; (iii) reviewing, monitoring and implementing ESG policies of our Group; (iv) monitoring the communication channels with stakeholders to maintain a trustful relationship; and (v) reviewing annual ESG report of our Group and making recommendations to our Board.

Our ESG Policy

We believe that our future growth is based on the integration of social values into our business. We are committed to ensuring that our ESG practice has a long-term positive impact on our stakeholders on which our operations may impact. We are aware of the environmental, social responsibility and climate-related issues that may affect our business. We are committed to complying with ESG listing reporting requirements.

Our ESG strategies and policies include, among others:

(i) our Board will set and monitor measures, strategies, targets and goals related to ESG and our principal duties and responsibilities are set forth below:

- following the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, to keep our Board informed of any changes in such laws and regulations and updating our ESG Policy accordingly;

- assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies to ensure our responsibilities with respect to ESG matters are met;

- monitoring local environmental, social and climate changes in regions where we operate and take timely measures to mitigate the risks associated with such volatile changes during our routine business operations;

- monitoring the implementation of our ESG Policy and engaging a third-party consultant to support us in fulfilling our ESG objectives if considered to be necessary;

- reviewing and assessing ESG reports of similar companies in the industry to ensure relevant ESG-related risks are identified on a timely basis;

- discussing with management from time to time to ensure material ESG related issues are addressed and reported;

- establishing communication channels and discussing with key stakeholders on an ongoing basis to understand ESG-related concerns and monitor how our environmental, social and climate-related performance has impacted key stakeholders;

- meeting periodically to identify, assess and manage progress of key ESG objectives;

- preparing ESG report on an annual basis on the ESG performance of our Group, the effectiveness of our ESG Policy and any applicable recommendations; and

- supervising works carried out by the ESG working group and providing guidance on a regular basis;

(ii) in relation to our employment practices, the adoption of a set of initiatives to be socially responsible to promote health, safety and environmental aspects of our operations, for instance, (a) policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare; (b) regular team building activities to promote work-life balance and cordial working environment; (c) corporate policy on equal opportunities and to hiring, evaluate and promote based on merits; (d) provision of paid leaves, insurances and allowances for our employees; (e) adequate training and supervision for our new employees; (f) training sessions in relation to workplace safety on a regular basis; and (g) maintenance of first-aid kits and fire-fighting equipment and facilities regularly; and

(iii) the provision of regular training programmes to all employees on environmental protection and environmentally-friendly internal guidance to our employees to (a) promote the reduction in emissions, solid wastes and consumption of water, paper, energy and other supplies; and (b) prioritise environment-friendly media partners in the decision-making process for procurement.

Due to the nature of our business as a mobile advertising service provider, we may face potential liability from posting restricted ad contents which may harm our business in our daily operations, especially we have no control over the ad contents as we are not involved in the production of mobile ads for advertisement distribution services. We are committed to conducting our business operations to comply with all applicable laws and regulations, including but not limited to the Advertising Law. We have also implemented internal review policies to scrutinise the content of the mobile ads prior to distribution, for instance, sensitive keywords or presentation styles of mobile ads, etc., to ensure that they are in compliance with applicable national laws and regulations, ethical standards as well as the relevant internal policies of media publishers, including infringement and/or other intellectual property rights in the PRC.

With regard to our corporate governance, we have specific policies on declaration of potential conflicts of interest, anti-money laundering measures and procurement management to ensure compliance with all relevant laws and regulations and avoid corruption in our business operations. During the Track Record Period and up to the Latest Practicable Date, to the best of the knowledge and belief of our Directors, there were no legal proceedings regarding corrupt practices brought against us or any of our Directors and employees.

We implemented multiple measures and internal policies in our daily operation, effectively boosted the construction of enterprise culture, and actively shouldered our responsibilities towards the state, employees, customers and other stakeholders, while conscientiously safeguarding the rights and interests of our Shareholders so as to promote the coordinated and sustainable development of our Group and the society. Currently, our Board is principally responsible for instructing and approving our Group's overall ESG vision and objectives, and setting up assessment and solutions for ESG-related risks.

Risks and opportunities

We have identified the following ESG issues and opportunities:

Transition Risk and Opportunities

- Energy management — Ineffective energy management may lead to excessive energy usage, which leads to increased operational cost due to unnecessary usage of energy;

- Opportunities for energy efficient equipment — Using energy efficient equipment in our business operations may reduce costs in long term and build positive brand image for our Group with respect to environmental awareness;

- Human capital development — Insufficient resources devoted towards the development of human capital, for example, lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce. Strong human capital development and the provision of competitive benefit packages may enhance employee retention and productivity. Accordingly, we have implemented an all-rounded employment practice including inclusive recruitment, trainings, equal opportunities etc. that focus on the value of our human capital;

- Privacy and data security — ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, potentially, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, while also potentially tarnishing our reputation; and

- Illegal advertising — Under the Advertising Law of the PRC, advertising operators may face penalties or even revoke business licences for providing false, fraudulent, misleading, or illegal information. As we may not have full control over the mobile ad contents, our Group may be subject to penalty or risk of service suspension by media platforms. We have formulated the internal policies on the prohibition of illegal advertising to outline the guidelines for employees to follow during the production of ad contents. In addition, we have established an internal review mechanism to ensure the ad contents comply with all applicable laws and regulations in the PRC.

Physical Risks

- Impact of climate change — Climate change may lead to risks such as more frequent extreme weather conditions. Such risks may lead to loss of our workdays and change of business plans and schedules of our Group and/or our customers and suppliers; and

- In the short term, extreme weather conditions such as flooding, icing and snowing may adversely affect our filming and production process. The delivery of our products to our customers may be disrupted and we may be subject to monetary claims in relation to our contract liabilities, which may adversely and materially affect our business, results of operations and financial condition. We have implemented measures to adjust filming plans when extreme weather occurs, including, changing the shooting location to premises with fine weather conditions or conducting studio shooting when necessary from time to time.

Our Group will engage the services of an independent adviser (the "**ESG Adviser**") to help us evaluate ESG and climate-related risks, review current strategy, goals, and policies, and perform materiality assessment. The Board will be informed about the process and outcomes of the work carried out by the ESG Adviser. With regard to the identified ESG and climate-related risks, our Group will adopt measures to mitigate their impacts accordingly, including (i) arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums, and (ii) reviewing and accounting for emissions and resource consumptions.

Metric and targets on environmental, social and climate-related risks

Our Group aims to (i) minimise the intensity of our emissions and resource consumption; and (ii) keep track of environmental performance in order to minimise the environmental impact of our business operations.

As a mobile advertising service provider, our Group is not involved in any manufacturing activities. Therefore, no significant water pollutants are emitted from our business operations. Notwithstanding the minimal air pollutant emissions, greenhouse gas emissions and energy consumption of our Group, as compared to other industries with production facilities, we are committed to reducing emissions and energy consumption by enhancing environmental awareness among our employees. Since our core operations are based in office with use of electronic devices, the greenhouse gas ("**GHG**") emission of our Group is mainly generated from our vehicles and purchased electricity.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we generated approximately 62.22, 82.79, 60.41 and 58.07 tonnes of carbon dioxide equivalent ("**tCO_2e**") respectively. The GHG emissions and energy use of our Group during the Track Record Period are as follows:

	Unit	For the year ended 31 December 2020	2021	2022	For the nine months ended 30 September 2023
GHG Emissions					
Scope 1[(1)]	tCO_2e	7.16	7.16	7.16	4.30
Scope 2[(2)]	tCO_2e	40.20	61.44	49.72	46.01
Scope 3[(3)]	tCO_2e	14.86	14.19	3.52	7.75
Total GHG emissions	tCO_2e	62.22	82.79	60.41	58.07
Intensity	tCO_2e per employee	0.59	0.68	0.53	0.48
Energy Consumption					
Gasoline for mobile combustion[(4)]	MWh	54.64	54.64	54.64	32.78
Purchased electricity	MWh	41.99	63.75	81.50	75.42
Total energy consumption	MWh	96.62	118.38	136.14	108.20
Intensity	MWh per employee	0.91	0.97	1.20	0.89

Notes:

1. Scope 1 emission covers the direct GHG emissions from the mobile source combustion from the use of unleaded petrol by company vehicles of the Beijing office. The data published were estimated based on the past utilisation pattern and mileage records.

2. Scope 2 emission covers indirect GHG emissions generated from the use of purchased electricity in office. The data published were estimated based on the expenditure on electricity consumption in the Beijing and Guangzhou offices for the entire Track Record Period, as well as that of Hunan office for the year ended 31 December 2022. Electricity supply of the Hunan office was managed by property management in 2021.

3. Scope 3 emission covers indirect GHG emissions generated from business air travel. Emission data relating to business air travel were calculated according to the UK Government GHG Conversion Factors for Company Reporting.

4. The conversion factors from volumetric units of petrol consumption to energy units are in reference to CDP Technical note: Conversion of fuel to MWh.

Apart from GHG emissions and energy consumption, the air emission data are summarised in the table below.

	Unit	For the year ended 31 December 2020	2021	2022	For the nine months ended 30 September 2023
Air Emissions(Note 1)					
Nitrogen oxides (NO_x)	kg	2.24	2.24	2.24	1.34
Sulphur oxides (SO_x)	kg	0.04	0.04	0.04	0.03
Particulate Matter (PM)	kg	0.17	0.17	0.17	0.10

Note:

1. The air emissions were generated by the use of petrol for company vehicles. The data published were estimated based on the past utilisation pattern and mileage records of our vehicles. The calculation had referred to the published emission factors of the "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

Our Group will disclose qualitative and quantitative information and data pursuant to Chapter 4.3 under the Guide for New Listing Applicants published by the Stock Exchange and Appendix C2 to the Listing Rules in its ESG Reporting Guide. Performance and targets will be reviewed on an annual basis to ensure they remain appropriate to the performance of our peers in the industry.

Strategies to improve resource consumption

Our Group aims to operate our business with maximum resource efficiency by minimising water, electricity and paper consumption and reducing air pollutants and greenhouse emissions.

We conduct regular water pipe leak testing to avoid potential water wastage. Water pressure is set to the lowest possible level to lower water flow and achieve water conservation purpose. To promote water conservation and prevent unnecessary water consumption, our office has put up water saving posters and reminders at workplace to remind employees to turn off the faucet completely after use.

Our Group has set various environmental targets. We intend to achieve (i) reduction of GHG emission intensity by 15% from a 2021 base year by 2030; (ii) reduction of energy consumption intensity by 10% from a 2021 base year by 2030; (iii) reduction of water consumption intensity by 7% from a 2022 base year by 2030; and (iv) establishment of a data collection system to retrieve the information of non-hazardous waste by 2023.

To reduce energy consumption and indirect emission of GHG, our Group is committed to increasing the use of innovative and energy-saving technologies throughout the operations, such as the use of renewable energy and replacing business trips with video conferencing technology to minimise the need for business travel. We also encourage our suppliers, employees and customers to reduce carbon emission during day-to-day operations and we will incorporate carbon emission into the supplier evaluation process. We have also adopted the usage of energy-saving light bulbs. In addition, we ensure lighting and electronic appliances such as air-conditioners, computers and printers are switched off when not in use.

The "3Rs" principle (being reduce, reuse and recycle) is implemented thoroughly in paper usage. We have also promoted a paperless working environment, promoted the use of double-sided printing and encouraged the recycling of wastepaper to enable resources conservation. To reduce our impact on the environment, we avoid the use of disposables and replace them with reusable or recyclable alternatives. For example, we procure recyclable toner and ink cartridges, and paper from responsible sources. Besides, we aim to reduce the consumption of paper and other daily operational resources by streamlining our daily procedures.

Our Group continuously seek to reduce our air pollutant emissions and greenhouse gas emissions. Video conference or virtual meetings are adopted to replace unnecessary business trips and physical meetings. For business trips that cannot be avoided, our Group will choose direct and non-stop flight to the destination to minimise emissions from taking multiple flights. Our employees are also encouraged to adopt low-carbon lifestyle by taking public transport and using carpooling services.

We did not collect the waste generation data during the Track Record Period. For a more comprehensive disclosure, we will establish a data collection system next year to retrieve the information of non-hazardous waste.

We will consider to engage an expert to continuously evaluate and monitor our GHG emissions, energy consumption, and other resource consumptions after the Listing. We will also provide update on progress on implementation of the aforementioned plans and measures in our periodic ESG report after the Listing.

Diversity and inclusion

We have also identified potential reputational risks from workforce management which may increase operational cost from an employee attraction and retention perspective. We value diversity (including but not limited gender diversity), equity and inclusion and are developing the relevant policies.

Our Group believes a diverse and inclusive workforce makes us and the society stronger and more harmonious. We are committed to promoting greater work opportunities for women. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Currently, we have 3 female Directors, namely, (i) Ms. Shu Qing, who is our executive Director and the chief financial officer; (ii) Ms. Chang Qing, who is our non-executive Director; and (iii) Ms. Zheng Hong, who is our independent non-executive Director.

Our Group also intends to promote gender diversity at the mid to senior level so that we can maintain a balanced gender ratio at different levels. We highly value the working contributions of women who accounted for approximately 49.6% of our overall workforce as at the Latest Practicable Date. Taking into account our existing business model and the different background of our Directors, the composition of our Board satisfies our board diversity policy. Our Group has demonstrated our commitment to provide a diverse and non-discriminatory working environment with equal opportunities in employment and career development regardless of gender. For details of information in relation to board diversity policy, see "Directors and senior management — Board Diversity" in this prospectus.

We are also committed to having diverse workforce which would bring different viewpoints and perspectives to our Group. Opportunities are open to all qualified candidates and our recruitment is not affected by a potential candidate's nationality, ethnicity, gender and other personal factors. Flexible leave arrangement are also offered for employees to celebrate festivals occasions that are most meaningful to them. For details of information in relation to employees of our Group, see "Employees" in this section.

Our Directors confirmed that we were not subject to significant health, work safety, social, environmental or climate-related risks with respect to our business operations during the Track Record Period and up to the Latest Practicable Date. As further confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable laws and regulations on health, work safety, social or environmental protection in the PRC in all material aspects.

In accordance with the Corporate Governance Code and ESG Reporting Guide set forth in Appendices C1 and C2 to the Listing Rules respectively, we will put in place mechanisms that will effectively enable us to continue to adopt recognised best practices and fulfil our corporate responsibility in respect of corporate governance and ESG matters following the Listing.

EMPLOYEES

As at 31 December 2020, 2021 and 31 December 2022 and 30 September 2023, we had a total of 106, 122, 113 and 121 full-time employees, respectively, all of whom were based in the PRC. The following table sets forth the number of our employees by function as at the Latest Practicable Date:

Function	**Number of employees**	**%**
Content production	28	24.4
Sales and marketing	13	11.3
Media platform management	6	5.2
Business and platform operation	40	34.8
Technology support and development	9	7.8
Management, administration, finance and legal	19	16.5
Total	115	100.0

Our growth depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives, in particular to our sales department employees as motivations. With the adoption of the Share Option Scheme, we may grant share-based incentive awards to our employees in the future to incentivise their contributions to our growth and development.

We primarily recruit our employees through online recruitment platforms. We have adopted an in-house ongoing training programme, pursuant to which employees receive training from internal speakers from other departments or external consultants from media platforms from time to time to keep our employees abreast of the market trends. The programme serves as a way to assimilate employees into our business culture as our Group grows and to continuously improve the quality of our employees. Furthermore, our content production team also attends the market analysis seminars and optimisation skills training courses organised by various media platforms from time to time in order to better understand the current market trend and the latest regulatory environment and enhance the efficiency of ad marketing of their platforms. For some media platforms, our staff need to sit in their examinations to qualify themselves as recognised.

The administration and human resources department is responsible for recruitment. Where the need for additional staff arises, the requesting department must submit a prescribed application form of supplementary head count plan to the administration and human resources department for approval. If approved, the administration and human resources department will begin the recruitment process. We select candidates based on their merits in an objective, impartial and fair manner.

As required under PRC regulations, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under the PRC laws to make contributions to employee benefit plans at specified percentages of the salaries. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business.

During the Track Record Period, we failed to make adequate contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations. For the years ended 31 December 2020, 2021 and 2022 and nine months ended 30 September 2023, the aggregate shortfall in such contributions amounted to approximately RMB1.1 million, RMB2.7 million, RMB1.7 million and nil, respectively, and relevant provision has been made in our historical financial information. As advised by our PRC Legal Adviser, with respect to the failure to make adequate social insurance premiums, we may be ordered by the social security premium collection agency* (社會保險費徵收機構) to make or supplement contributions within a stipulated period and may be subject to a late payment fee equals to 0.05% of the shortfall amount calculated daily starting from the date the relevant social insurance funds become payable. If we fail to make such payments within a stipulated period, we may be liable to a fine of 1 to 3 times of the shortfall amount. And, with respect to the failure to make adequate housing provident fund contribution, housing provident fund management centre may require us to make the overdue payment and deposit within a prescribed time limit, failing which it may seek court order against us and to collect the outstanding housing provident fund contributions.

Moreover, pursuant to the relevant PRC laws and regulations, we are required to open accounts for housing provident funds for all PRC subsidiaries of our Group. We were unable to open accounts for housing provident funds for certain subsidiaries of our Group. Thus, we may be ordered to rectify the non-compliance within a prescribed time limit. We may be ordered to pay a penalty between RMB10,000 and RMB50,000 for each of our subsidiaries that failed to open housing provident fund accounts within a prescribed time limit. During the Track Record Period, we engaged a third party human resources agent and through such agent we made contributions to social insurance and housing provident funds for some of our employees whose accounts for social insurance and housing provident funds are registered in other cities where these subsidiaries could not open the accounts locally. Such payment arrangement was agreed among our Group, the relevant employees of our Group and the third party human resources agent. The agent confirmed that contributions were made within the prescribed time limit and there was no compliant or dispute from any of our employees and there was no penalty from any relevant government authorities.

We estimate that (i) the potential maximum penalties that can be imposed on us in relation to contributions to social insurance premiums during the Track Record Period would be approximately RMB0.7 million provided that we would rectify the non-compliance by paying the shortfall within a prescribed time limited if we are ordered by the relevant agency and (ii) the potential maximum penalties that can be imposed on us in relation to opening accounts for housing provident funds during the Track Record Period would be RMB50,000. As at the Latest Practicable Date, we had not received any notice or demand from any competent authorities ordering us to make retrospective payments or any differences of the payments for the social insurance and housing provident fund contributions. We were also not aware of any employee's complaints or demands for payment of social insurance or housing provident fund considerations. Based on the above, our Directors, as advised by our PRC Legal Adviser, are of the view that the non-compliance incidents in relation to social insurance fund and housing provident fund contributions will not have a material adverse impact on our Group's operations and financial conditions. Our Directors confirmed that our Group will make full contribution to social insurance and housing provident fund for our employees in accordance with applicable rules and regulations upon the Listing.

In light of these incidents, we have also adopted or will adopt the following on-going measures:

- we will continue to provide trainings to our employees in relation to the relevant laws and regulations on social insurance and housing provident funds and the compliance requirements from time to time;

- we have adopted our internal policies in relation to social insurance and housing provident funds; and

- the calculation of the social insurance and housing provident funds would be prepared by our administration and human resources department and be reviewed by our finance department on a monthly basis in order to mitigate the risk of non-compliance with relevant laws and regulations.

See "Risk factors — Risks relating to our business and industry — Failure to make adequate contributions to social insurance and housing provident funds and open account for house provident funds for certain subsidiaries of our Group as required by the PRC laws and regulations" in this prospectus.

We believe that we maintain a good working relationship with our employees. Our employees are not represented by a labour union. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labour strike, disputes or difficulty in recruiting employees which would have a material impact on our operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 2 registered trademarks, 29 registered software copyrights and 5 domain names in the PRC that were material to our business. See "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any dispute or claims for infringement upon third parties' trademarks, licences and other intellectual property rights in the PRC, which could have a material adverse effect on our business, results of operation, financial condition or reputation or was involving a material claim with an amount exceeding RMB1.0 million.

PROPERTIES

As at the Latest Practicable Date, our headquarters is located in Beijing whereas our office for our technology support and development team is located in Guangzhou, Guangdong, the PRC and our video production base is located in Changsha, Hunan, the PRC. As at the Latest Practicable Date, we did not own any properties but we leased 10 properties in the PRC. The following table sets forth the details of our leased properties as at the Latest Practicable Date:

Address	Use of property	Lease term
Units 2501–2503, Block 1, CRCC Plaza, No. 19 Beiyuan East Road, Chaoyang District, Beijing, PRC	Office	1 May 2021–30 April 2024
Unit 2312, Block 3, CRCC Plaza, No. 19 Beiyuan East Road, Chaoyang District, Beijing, PRC	Office	17 April 2023–16 April 2024
Unit 2121, 21/F, Block 2, No. 87 Jiancaicheng Road West, Changping District, Beijing, PRC(1)	Office	1 January 2024–31 December 2024
Unit 12, 8/F., Baoli Zhongyue Plaza, No. 23 Xuanyue East Street, Haizhu District, Guangzhou, PRC	Office	1 May 2023–30 April 2024
Room 409, 4/F, Dongfang Jingxiu Mansion, Zone B4, Central Area, Khorgos Border Cooperation Centre, Yili Prefecture, Xinjiang, PRC(1)	Office	1 January 2024–31 December 2024
Room 2155, 2/F, 3-B-2 Kaiyuan Road, Khorgos Economic Development Zone Corps Division, Ili Kazakh Autonomous Prefecture, Xinjiang, PRC	Office	22 July 2024–31 December 2024
Unit 8080, 8/F, Block 2, Xincheng Science and Technology Park, No. 588 Yuelu West Avenue, High-tech Development District, Changsha, Hunan, PRC	Office	1 September 2023–31 August 2024

Address	Use of property	Lease term
Unit 703–705, Block 17, Xinggong Science and Technology Park, No. 100 Luyun Road, High-tech Development District, Changsha, Hunan, PRC	Office and video production base	15 September 2022–14 September 2024
Units 1405–1406, 14/F, Block 5, No. 19 Beiyuan East Road, Chaoyang District, Beijing, PRC	Office	1 October 2023–30 September 2024
Room 2602, Block 2, Zone B, Phase III, Zhenye City, Changsha, Hunan, PRC	Staff dormitory	15 September 2023–14 September 2024

Note:

1. Such leased properties are categorised as our Group's exempted connected transactions with a connected person on agreed terms. See "Connected transactions" of this prospectus.

The properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

Pursuant to applicable PRC laws and regulations, property lease agreements must be registered with the relevant authorities in the PRC. As at the Latest Practicable Date, none of our lease agreements had been registered. As advised by our PRC Legal Adviser, the lack of registration of the lease agreements will not affect the validity of the lease agreements under PRC laws. However, we may be subject to a maximum fine of RMB10,000 for each lease agreement in relation to the non-registration. See "Risk factors — Risks relating to our business and industry — We may be subject to fines due to the lack of registration of our lease agreements" in this prospectus for the risks associated with the non-registration of lease agreements.

Moreover, as at the Latest Practicable Date, (i) in relation to 2 of our leased properties, we have not been provided by the lessors with the relevant ownership certificates or any other documentation proving their right to lease those properties to us, and our leases could be invalidated if the lessors are not the owners of the properties or have not obtained consents from the owners to lease such properties and (ii) the actual use of one of our leased properties in Changsha is office and video production base, is not consistent with the designated use of such premises. In the event that our use of property is challenged by third parties or governmental authorities, we may be forced to terminate the use of such properties or relocate to other properties as a transitional arrangement. See "Risk factors — We may face challenges by third parties or governmental authorities with respect to property ownership and the use of our leased properties, which may expose us to potential fines and negatively affect our ability to use the properties that we lease" in this prospectus. Having considered our use of premises, our operation scale and the availability of similar premises in the market, we consider that (i) our Group would be able to find alternative properties at comparable costs with immaterial relocation costs, if we are not able to use such properties or have to relocate our businesses in case of any dispute on the lease agreements; and (ii) there would not be any material disruptions to our Group's business if our leases are invalidated as a result of the lack of ownership certificates and/or inconsistent usage of our leased properties.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance which require a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as at 30 September 2023, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

LICENCES, PERMITS AND APPROVALS

Our headquarters in Beijing is responsible for managing, reviewing and renewing our licences, permits and approvals. As advised by our PRC Legal Adviser, as at the Latest Practicable Date, we had obtained all requisite licences, permits and approvals from the relevant government authorities that are material for our business operation in the PRC, and such licences, permits and approvals had remained in full effect and no circumstances existed that would render their revocation or cancellation. Furthermore, our Directors have confirmed that we have not experienced any failure in applying for renewal of those approvals, consents, registrations, licences and permits during the Track Record Period and up to the Latest Practicable Date. According to the applicable PRC laws and regulations, save for the business licences, we are not required to obtain any other business-or-industry-specific licences or permits for our current business operations in the PRC. As advised by our PRC Legal Adviser, as at the Latest Practicable Date, our business does not directly involve provision of any type of value-added telecommunication services under the Classification Catalog of Telecommunication Services (《電信業務分類目錄》), which was promulgated in 2015 and revised in 2019.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us which would have a material adverse effect on our business, reputation, financial position or results of operations. Additionally, as at the Latest Practicable Date, our Directors were not involved in any actual or threatened material claims or litigation.

Compliance with fire safety laws and regulations

In relation to our Group's office and video production base located in Changsha, as confirmed by our Company and advised by our PRC Legal Adviser, based on its review of the relevant lease agreements, the ownership certificate and the Joint Acceptance Conclusion of Changsha High-tech Zone Housing and Construction Management Bureau (《長沙高新區住房和建設管理局竣工聯合驗收結論》), such leased properties had passed the relevant fire safety inspections.

Based on the independent due diligence work conducted by the Sole Sponsor below, the Sole Sponsor is of the view that our Group's leased properties were in compliance with the applicable fire safety laws and regulations in the PRC:

- discussed with our Company and our Company's PRC Legal Adviser and noted that (a) our Group had not carried out any renovations, expansions or refurbishment on the leased properties; and (b) the intended use of the leased properties does not fall under the category of public gathering places, hence according to the provisions under Fire Protection Law of the PRC (中國消防法) and other relevant laws and regulations, our Group, as the tenant, is not required to perform additional fire safety inspections for the leased properties; and

- reviewed the legal opinion prepared by our Company's PRC Legal Adviser in relation to the fire safety condition of the Group's leased properties and understood that the Group has completed the relevant fire safety inspections and the risk of being subject to any penalties or punishment for breach of relevant fire safety laws and regulations is remote.

Inconsistency between the actual use and the designated use of the leased properties

In September 2022, we relocated our video production base to Changsha, Hunan, the PRC, in light of the investment policy of the High-tech Development District of Changsha, which invited enterprises to set up offices at the properties in the development district and provided rental subsidy as their supportive measures. As at the Latest Practicable Date, the actual use of such leased properties in Changsha is office and video production base, which is not consistent with the designated use of such premises for industrial use as stated on the ownership certificate. As of the Latest Practicable Date, we were not aware of any challenge being made by a third party or government authority on the titles of such leased properties that might have a material adverse effect on our current leases.

Potential legal consequences

According to relevant laws and regulations and as advised by our PRC Legal Adviser, in the circumstances that the intended purposes stated in the property ownership certificates are inconsistent with the actual use of property, there are no specific rules or regulations requiring the lessee to obtain the ownership certificate which is consistent with the actual use of the property or imposing regulatory punishment on the lessee for not doing so. Accordingly, our PRC Legal Adviser is of the view that we are not subject to any material administrative penalty for any of the title defects in the leased properties as at the Latest Practicable Date.

As advised by our PRC Legal Adviser, in the event that our use of property is challenged by third parties or governmental authorities, we may be forced to terminate the use of such properties or relocate to other properties as a transitional arrangement. And, we may become involved in disputes with the property owners.

Remedial measures

We believe there is a sufficient reservoir of comparable alternative properties in proximity, and therefore do not expect to incur significant time and cost for identifying alternatives and relocating our operations. In the event that we are not able to continue to use the leased properties for the operations of our office and video production base, our Group would be able to find alternative properties at comparable costs with immaterial relocation costs. Having considered the scale of our operation and the availability of similar premises in the market, we expect that there would not be any material disruptions to our Group's business if our leases are invalidated as a result of the inconsistent usage of our leased properties.

Furthermore, we have enhanced our internal control to avoid such risks by conducting due diligence and reviews more prudently prior to entry into any lease agreement when we lease additional premises, particularly on the nature, designated use and title certificates for such properties.

Borrowings from non-financial institutions and lending to corporates during the Track Record Period

Borrowings from non-financial institutions during the Track Record Period

For the years ended 31 December 2020 and 2021, we obtained unsecured borrowings of principal amount ranging from RMB1.0 million to RMB20.0 million from 3 non-financial institutions, which are Independent Third Parties, including a company which is both our customer and supplier, for terms ranging from 5 days to 1 year at fixed interest rates ranging from 7% to 12% per annum. For the years ended 31 December 2020 and 2021, the total borrowings from these 3 non-financial institutions amounted to approximately RMB28.0 million and RMB38.0 million, respectively. Our Directors confirmed that, save as the relationship disclosed herein, these 3 non-financial institutions had no other past and present relationship (business or otherwise) with our Group, our subsidiaries, shareholders, senior management or any of their respective associates. All of our borrowings from these lenders were used to meet our short term financial needs as working capital. Further information about these 3 non-financial institutions and the borrowings are as follows:

Lenders	Background	Business relationship	First date of borrowing	Last repayment date	Actual borrowing period	Interest rate per annum	Amount of borrowings For the year ended 31 December 2020	2021
							RMB'million	RMB'million
Company A[1]	Established in the PRC principally engaged in trading of packaging materials.	Nil	31 January 2019	26 March 2021	From 4 day to less than 10 months	From 10% to 12%	5.0	1.0
Company B[2]	Established in the PRC principally engaged in provision of advertising services.	A customer of our Group	19 March 2019	25 June 2021	From 1 day to 20 days[3]	From 7% to 12%	23.0	25.0
Company C[4]	Established in the PRC principally engaged in technology development	Nil	24 March 2021	30 March 2021	6 days	7%	Nil	12.0
						Total	28.0	38.0

Notes:

(1) Our Group became acquainted with the financial manager of Company A through the introduction by a business acquaintance of Mr. Yu, our executive Director, in 2017.

(2) Our Group became acquainted with the general manager of Company B through the introduction by a business acquaintance of Mr. Zhao, our executive Director, in 2020.

(3) Majority of these loans due to Company B were of actual borrowing periods ranging from 1 day to 10 days.

(4) Our Group became acquainted with the general manager of Company C through the introduction by a business acquaintance of Mr. Zhao, our executive Director, in 2020.

Lending to corporates during the Track Record Period

For the years ended 31 December 2020 and 2021, we provided unsecured lending of principal amount ranging from RMB2.0 million to RMB30.0 million to 3 corporates, which are Independent Third Parties, including a company which is both our customer and supplier, for terms ranging from 1 day to 1 year at fixed interest rates ranging from 7% to 12% per annum. For the years ended 31 December 2020 and 2021, the total lending to these 3 corporates amounted to approximately RMB88.7 million and

RMB44.0 million, respectively. Our Directors confirmed that, save as the relationship disclosed herein, these 3 corporates had no other past and present relationship (business or otherwise) with our Group, our subsidiaries, shareholders, senior management or any of their respective associates. Our lending to Company A, Company B and Company D during the Track Record Period had no correlations and were not inter-conditional to any of our borrowings and/or business of our Group. To the best of our Directors' knowledge and belief, our loans to these borrowers were used to meet their short term financial needs. Further information about these 3 corporates and the lending are as follows:

Borrowers	Background	Business relationship	First date of borrowing	Last repayment date	Actual borrowing period	Interest rate per annum	Amount of borrowings For the year ended 31 December 2020	
							2020	2021
							RMB'million	*RMB'million*
Company A	Established in the PRC principally engaged in trading of packaging materials.	Nil	10 December 2020	15 December 2020	5 days	12%	7.0	Nil
Company B	Established in the PRC principally engaged in provision of advertising services.	A customer of our Group	31 January 2019	30 July 2021	From 1 day to 22 days (Note)	From 7% to 12%	81.7	39.0
Company D	Established in the PRC principally engaged in trading of food additive.	Nil	27 January 2021	7 September 2021	From 7 to 32 days	7%	Nil	5.0
						Total	88.7	44.0

Note: Majority of these loans due from Company B were of actual borrowing periods of 5 days or less.

Reasons of these borrowings and lending

The majority of these loan transactions had a term of 1 month or less. The borrowings were used to meet our short-term financial needs as working capital. During the course of our operation, we need sufficient working capital to settle our payments to media partners for acquisition of advertising space for placement of mobile ads, repay bank loans and finance our business operations. There is a mismatch in timing between our payments for acquisition of advertising space and our receipt of payment from our customers. For the years ended 31 December 2020, 2021 and 2022 and nine months ended 30 September 2023, our average trade receivable turnover days were approximately 71 days, 83 days, 75 days and 59 days, respectively, and our average trade payable turnover days were approximately 17 days, 20 days, 23 days and 14 days, respectively. At the relevant times before we entered into loan transactions with the borrowers, we generally had a short term financial needs of 1 to 12 days to settle payments to our media partners and had shortfalls in cash flow ranging from approximately RMB6.4 million to RMB16.1 million. The loan transactions were used to meet short term financial needs and were generally settled within 1 month. We obtained such financings, rather than bank borrowings, because these transactions generally required shorter time on negotiations and had less formal approval procedures of banking lenders. At the material time, we were not aware that these transactions constituted non-compliance incidents.

We provided the lending to 3 corporates after having considered that (i) the terms of the lending were generally 1 month or less and (ii) these lending would not materially affect our operation. To the best of our Directors' knowledge and belief, our loans to these borrowers were used to meet their short term financial needs. Company A and Company B are our lenders and borrowers and we provided loans to them in view of their offers of borrowings to our Group to meet our short term financial needs and as an amicable arrangement. At the material time, we were not aware that these transactions constitute non-compliance incidents. Company B is a customer and supplier of our Group during the Track Record Period. We reviewed payment records and assessed the risk associated with our provision of short term financing to Company B. Company D is engaged in the e-commerce industry in the PRC and Mr. Zhao became acquainted with the Company D in 2020 when we explored potential business cooperation opportunities with Company D. To the best of our Directors' knowledge and belief, such lending to Company B were used to finance its working capital to meet short term financial needs due to timing mismatch between collection of payment from customers and payment to suppliers. As confirmed by our Directors, there was no other arrangement or no other reason for our lending to and borrowing from Company A and Company B.

During the Track Record Period, the borrowings from banks or financial institutions generally have a term of 1 year with lower interest rates and secured by assets and/or personal guarantee of our Controlling Shareholders. The personal guarantee would be released on the date when our Group receives the approval of listing of our Shares from the Stock Exchange. For details, see "Financial information — Indebtedness — Bank and other loans" in this prospectus. However, the borrowings offered by non-financial institutions are short term unsecured financing generally with a term of 1 month or less but with higher interest rate. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any financial covenant to maintain any financial ratio.

The interest rates of these loan transactions were determined after arm's length negotiation between our Group and the borrowers and lenders after having considered the terms of the loans, the borrowing amount, the interest rates of other loan transactions, our financial needs at the material time and the availability of loans. For the years ended 31 December 2020 and 2021, our Group incurred interest expense of approximately RMB0.2 million and RMB1,300, respectively, and received interest income of approximately RMB66,000 and RMB55,000, respectively, from these borrowing and lending transactions, respectively.

Cessation of borrowings from non-financial institutions and lending to corporates

These transactions were ceased in September 2021 and, thus, no interest was incurred for the year ended 31 December 2022 and the nine months ended 30 September 2023. To the best knowledge and belief of our Directors, given the cashflow demand to operate the mobile advertising services, it is common for market players in the industry to provide or receive loans to each other to finance the short-term financing needs to monetise the extra idle cash available to such market participants. We became aware of these borrowing and lending transactions being non-compliance incidents during our internal compliance review in 2022 when we prepared for the Listing. The lending transactions between our Group and the non-financial institutions were ceased and the loans between our Group and the relevant parties were repaid in full in September 2021 and the outstanding interest to loans was settled in full and the non-compliance incident was fully rectified in May 2022. To avoid future occurrence of these incidents, we have also taken various remedial measures. Our Group had business relationship with Company B during the years ended 31 December 2020, 2021 and 2022. For the years ended 31 December 2020, 2021 and 2022, our revenue generated from Company B amounted to approximately RMB0.2 million, RMB8.7 million and RMB2.3 million, respectively. For the nine months ended 30 September 2023, we had not entered into any transaction with Company B after having considered (i) the terms of transactions with Company B, such as payment term, (ii) the historical transaction amounts of Company B and (iii) the marketing needs of our other customers and our production capacity. Based on the above, our Directors consider that the cessation of our borrowings from non-financial institutions and lending to corporate had no significant impact on our customer retention and our revenue. See "Remedial measures" below.

See "Risk factors — Risks relating to our business and industry — We may be subject to penalties as a result of private lending transactions with non-financial institutions during the Track Record Period, which constitute non-compliance under the PRC laws" in this prospectus.

Potential legal consequences and maximum penalties

According to the General Lending Provisions (《貸款通則》) promulgated by the PBOC, only financial institutions may legally engage in the business of lending loans, and loans between companies that are not financial institutions are prohibited. According to the General Lending Provisions, a company which is not a financial institution and offers loans may be imposed penalties in the amount equivalent to 1 to 5 times of the income generated (being interests charged) from the loan advancing activities. However, the Supreme People's Court issued the Decision on Amending the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), provides that borrowing agreements between companies which are not financial institutions shall be classified as private lending and should be valid if such lending are for business operation purposes and do not fall into situations leading to invalidity of a contract under the Civil Code of PRC. The PRC courts would support a lender company's claim for interest in respect of such lending as long as the annual interest rate does not exceed 4 times of the applicable 1-year loan prime rate. As advised by our PRC Legal Adviser, our borrowings from non-financial institutions or lending to corporates may constitute non-compliance under the PRC laws, and the PBOC may impose penalties on the lender, but not the borrower, equivalent to 1 to 5 times of the income generated (being interests charged) from our lending to corporates. During the Track Record Period, the aggregate income we received from these lending amounted to approximately RMB80,000. Accordingly, our maximum potential penalty arising from our lending to corporates during the Track Record Period amounted to approximately RMB400,000.

As at the Latest Practicable Date, we had not received any notice or administrative penalty from the regulatory authorities (including the PBOC) against our lending to corporates and no disputes had arisen from the borrowings, our PRC Legal Adviser is of the view that the risk that the PBOC will impose any penalty on us regarding our lending is low. Based on the above, our Directors, as advised by our PRC Legal Adviser, are of the view that the non-compliance incidents in relation to borrowings from non-financial institutions and lending to corporates will not have a material impact on our Group's operations and financial conditions.

Remedial measures

Our Directors confirm that going forward, we will not borrow any amount from any non-financial institutions or lend any amount to any corporate, which may constitute a non-compliance incident. In light of these incidents, we have also adopted or will adopt the following on-going measures:

- we will continue to provide trainings to our Directors, our management and senior employees on the relevant laws and regulations from time to time;
- we have adopted our capital management policies that require full compliance with the relevant laws, rules and regulations;
- we have designated Ms. Shu, our chief financial officer, to monitor our loan transactions before we enter into any loan transaction;

- we will seek external legal advices to ensure on-going compliance in the future; and

- we would implement more stringent policies and procedures to manage our capital and liquidity position to ensure that we have sufficient working capital to meet our financial needs and to support our business operations. For details, see ''Working capital cycle — Capital and liquidity management policy'' in this section.

To ensure sufficient working capital for its operations, our Group has implemented financial budgeting and working capital forecast and adopted measures as set out in ''Working capital cycle — Capital and liquidity management policy'' in this section. Going forward, our Group will finance our working capital mainly through cash generated from our operations, net proceeds from the Listing, bank borrowings, factoring arrangement and/or other equity or debt financing. During the Track Record Period, such sources of financing (other than the net proceeds from the Listing and other equity or debt financing) were available to our Group. However, given that the banking facilities of our Group were substantially utilised during the Track Record Period, we consider that such financing means are not sufficient to meet the working capital of our Group.

As confirmed by our Directors, we had not been subject to any fines or legal or administrative actions involving non-compliance with any PRC laws or regulations which would have a material adverse effect on our business as a whole during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not committed any material non-compliance of the laws or regulations, nor did we experience any systemic non-compliance incidents, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations. For details, see ''Risk factors — Risks relating to our business and industry'' in this prospectus. Therefore, we have established and maintained comprehensive risk management and internal control policies that we consider to be necessary to our business operations in various aspects such as financial reporting, credit management, information technology, operational management and human resources. Our Board has the overall responsibility of maintaining sound risk management and internal control systems within our Group and is responsible for identifying and assessing significant risks that our Group may have during our operations. We keep abreast and monitor the ongoing compliance by our Group with the relevant laws and regulations that govern our business operations and oversee the implementation of any necessary measures.

Risk management

Financial reporting risk management

We are exposed to various financial risks, such as credit, liquidity and interest rate risks that arise in our ordinary and usual course of business. For details, see ''Financial information — Financial risks'' in this prospectus. Therefore, we have adopted comprehensive accounting policies in relation to our financial reporting risk management, such as financial management, budget management and financial statement preparation. Furthermore, we provide ongoing trainings to our accounting staff to ensure that these accounting policies are well-observed and effectively implemented. We also implemented certain procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. As at 30 September 2023, our finance department consisted of 10 staff. It is headed by our Ms. Shu, our chief financial officer, who has over 15 years of relevant experience in financial reporting. For details of her biographical information, see "Directors and senior management — Board of Directors — Executive Directors" in this prospectus.

Credit risk management

Our credit risk is primarily attributable to trade receivables. In additional to the capital and liquidity management policy as disclosed in "Advertising space bidding process — Capital and liquidity management policy" in this section, we manage credit risks primarily through the following measures:

- we have implemented "know-your-customer" procedures and credit check to ascertain the background of our potential customers;
- we perform credit assessment on potential and new customers, and may require them to prepay for our services to minimise our credit risk exposure;
- we closely monitor the level of our trade receivables and other financial assets and take appropriate action to recover or minimise our loss where we foresee that our customers may default in its obligation;
- we have credit policy with respect to the transaction limit and credit period granted to our customers, which are subject to our on-going review and revision; and
- we use a provision matrix to calculate the expected credit losses in respect of our trade receivables to assess our exposure to credit risks.

For details of the analysis on our trade receivables, see "Financial information — Major components of consolidated statements of financial position – Trade and other receivables" in this prospectus.

Information technology risk management

We have adopted various policies on daily operation and database operation to prevent information leakage and loss of data from our self-developed platform and the data rooms at a third party online storage platform where we store our operational data. We also have a fixed mechanism for the regular maintenance of our platform. We use several information technology management systems in our operations, for example, ERP and CRM systems, etc. To ensure information security, employee access to the platform requires their designated user account numbers and passwords. We have adopted internal policies to ensure that access rights is tailored to the ranking of the employees, so that certain information can only be obtained on an as-needed basis. We also back up some of our operational data on a third party online storage platform through code packaging before uploading, in order to avoid any direct leakage of confidential information. Further, our key full-time employees in the technology support and development team are required to sign confidentiality agreements, pursuant to which they undertake to keep confidential data and our operational, financial and product information that they obtain by virtue of their employment with our Company. As at 30 September 2023, our technology support and development team consisted of 10 employees, the majority of which were graduated from computer science or other relevant discipline with more than 3 years of work experience.

Operational risk management

To ensure the compliance of our business operations with the relevant rules and regulations, especially those governing the mobile advertising industry, we have adopted our internal policies in updating the latest changes in laws and regulations and industry standards. In addition, we continually review our risk management policies and the implementation of our measures to ensure our policies and implementation are effective and sufficient. We also engaged external legal advisers in the PRC to assist us for updating the templates of our legal documents and examining the legal terms that we enter into with our customers and suppliers and conducting investigations on necessary underlying due diligence materials for us before entering into any contracts or business arrangements with our customers and suppliers.

In the ordinary course of business, we are subject to a wide range of PRC laws and regulations, while we are particularly abode by the Advertising Law of the PRC. See "Regulatory overview — Laws and regulations relating to advertising business — Advertising" in this prospectus.

Human resources risk management

We have adopted internal control policies covering different aspects of human resources management such as recruitment, health and safety training, work ethics and legal compliance. For instance, we have implemented management guidelines for our new hires regarding, among other things, work ethics and prevention of fraud, negligence and anti-corruption. We adopt a high level of recruiting standards to ensure the quality of new hires. We have established a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment from time to time and our Audit Committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conducts in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to acceptance of bribes or unauthorised rebates, embezzlement or misappropriation of our assets, and forgery or alteration of our accounting records.

We also provide specialised trainings tailored to the needs of our employees in different teams, for example, on-the-job periodic training for sales and marketing team regarding the latest information of the new media platforms based on the business updates. We have also made available an internal anti-fraud and anonymous reporting mechanisms through which potential violations of our internal policies or suspicious illegal acts for anti-corruption at all levels of our Group can be timely reported to our Directors and senior management and appropriate measures can be taken to minimise damage.

Internal control

Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. We keep abreast and monitor the ongoing compliance by our Company with the relevant laws and regulations that govern our business operations in all material respects and oversee the implementation of any necessary measures. We also keep abreast of the latest regulatory updates and requirements in light of the rapidly expanding and evolving nature of our mobile advertising business. Our Directors are responsible for the establishment and updates of our internal control systems while our senior management monitors the daily implementation of relevant procedures and measures across our Group on an ongoing basis to ensure the effectiveness of the internal control systems in identifying and mitigating the risks involved in our daily operation. In order to ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across our Group, and to continuously improve our corporate governance, we have implemented and/or will implement the following measures:

(a) We have established an Audit Committee to assist our Directors in providing an independent view of the effectiveness of the financial reporting process, reviewing internal control and legal compliance of our Group and overseeing the internal audit process of our Group. The Audit Committee consists of 3 independent non-executive Directors and its chairman has appropriate professional qualifications. See "Directors and senior management" of this prospectus.

(b) We will engage legal advisers to provide ongoing legal advice to us in relation to future compliance with the PRC and Hong Kong laws and regulations in all material respects upon Listing.

(c) We have arranged for our Directors and senior management to attend a training programme on the relevant applicable laws and regulations, including the Listing Rules, provided by our Company's Hong Kong legal advisers prior to the application for Listing. With a view to proactively identify any concerns and issues relating to any potential non-compliance, we will continue to arrange training programmes to be provided by our legal advisers in Hong Kong and PRC and/or any appropriate accredited institution, from time to time and as and when necessary, to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programmes in relation to updates on relevant applicable laws and regulations will also be held when necessary.

(d) We have appointed China Sunrise Capital Limited as our compliance adviser to advise on compliance with the Listing Rules.

(e) We plan to provide training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when necessary.

Based on the above, our Directors believe that the internal control measures, when implemented, will effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view that these internal control measures adopted by us are adequate and effective under the Listing Rules to ensure ongoing compliance with the relevant laws and regulations by our Group.

You should read the following discussion in conjunction with the consolidated financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The consolidated financial statements have been prepared in accordance with IFRS.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking statements" and "Risk factors" in this prospectus.

OVERVIEW

We are a mobile advertising service provider in the PRC and mainly provide comprehensive mobile advertising services to our customers for marketing of their brands, products and/or services on media platforms operated by our media partners. Our services include mobile marketing planning, traffic acquisition, production of ad creatives, ad placements, ad optimisation, ad campaign management and ad distribution. We aim at optimising mobile ads' publicity and maximising their exposure to target mobile users to achieve our customers' marketing goals and improve their ROI. We are capable of providing comprehensive mobile advertising solutions services as well as one or more of these services, such as production of ad creatives, ad optimisation and ad distribution, to customers to serve their different needs.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, we experienced continuous growth and recorded revenue of approximately RMB377.7 million, RMB470.2 million, RMB492.6 million, RMB350.7 million and RMB497.3 million, respectively, net profit of approximately RMB49.8 million, RMB57.5 million, RMB68.3 million, RMB40.0 million and RMB48.9 million, respectively, and total gross billing of approximately RMB629.3 million, RMB791.1 million, RMB831.8 million, RMB578.6 million and RMB751.4 million, respectively.

BASIS OF PRESENTATION

During the Track Record Period, our business was conducted through Beijing Lesimedia and its subsidiaries. To rationalise the corporate structure in preparation of the Global Offering, our Group underwent the Reorganisation. See "History and development — Reorganisation" in this prospectus. Our Company became the holding company of the companies now comprising our Group on 21 July 2022.

Our Company is an investment holding company. Prior to and after the Reorganisation, the principal business of our Group has been operated by Beijing Lesimedia and its subsidiaries and there were no changes in the economic substance in the ownership and business of our Group. The Reorganisation involved inserting some newly formed entities with no substantive operations as the new holding company of Beijing Lesimedia. Accordingly, the historical financial information of our Group has been prepared and presented as a continuation of the financial statements of Beijing Lesimedia and its subsidiaries. See Note 1 of the Accountants' Report in Appendix I to this prospectus.

The historical financial information of our Group has been prepared in accordance with all applicable IFRS which includes all applicable individual IFRS. See Note 2 of the Accountants' Report set out in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or expected to be, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain key factors is set out below.

Our business focuses on the mobile advertising market

During the Track Record Period, we primarily derived our revenue from provision of mobile advertising services. According to the iResearch Report, the market size of mobile advertising industry in the PRC, as measured by total advertising gross billing, increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022 with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. With the popularity of mobile devices and user migration pattern across media platforms, the share of mobile advertising as a proportion of online advertising gradually increased. Mobile advertising industry accounted for approximately 88.9% of the online advertising industry in the PRC in 2022 and it is expected to reach approximately 87.8% in 2027. As we heavily rely on the mobile advertising market to generate our revenue, in the event that the growth of the mobile advertising market slows down or shrinks, our operations and/or financial performance might be adversely affected.

Our ability to expand paying consumers base for our customers and enhance monetisation efficiency

We generate revenue primarily from the provision of mobile advertising services for our customers for marketing of their products or services on media platforms operated by our media partners. As such, the number of paying consumers for our customers is crucial to our brand and reputation, which in turn will affect our results of operations and future prospects. We provide customised and purpose-oriented mobile advertising services for our customers to effectively attract, retain and convert potential paying consumers.

In addition, a large and expanding paying consumers base provides us with data for better understanding of their needs and preferences, and helps us provide effective mobile advertising solutions to our customers to identify their target consumers. We are, therefore, able to further refine our service offerings to improve our customers' overall experience, which is pivotal to our business growth.

Growth of our customers base and their spending

Our results of operations are affected by the growth and diversity of our customers base and the spending of each of our customers. As we provide mobile advertising services to customers, the growth of our revenue depends largely on our ability to continue to expand our customers base, and to attract them to allocate more advertising budgets with us. Our customers encompass a wide array of industries. During the Track Record Period, we served customers with different scale and advertising needs. The number of customers for the years ended 31 December 2020 and 2021 remained relatively stable being 238 and 241, respectively. The number of customers increased to 295 for the year ended 31 December 2022, and such increase was mainly attributable to the increase in number of customers for our mobile advertising solutions services arising from continual effort and commercial decision of our management to expand our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was a decrease in the number of customers from 174 to 150 mainly due to the focus of our resources to serve customers with greater advertising needs in general, such as Customer M. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the average revenue generated from mobile advertising solutions services per customer were approximately RMB9.8 million, RMB8.3 million, RMB2.5 million, RMB2.0 million and RMB4.5 million, respectively. For the years ended 31 December 2020, 2021 and 2022, we recorded continuous decrease in the average revenue generated from mobile advertising solutions services per customer, which was mainly attributable to the continuous expansion of our mobile advertising solutions services and the enlarged customer base of our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was an increase in the average revenue generated from mobile advertising solutions services per customer, which was mainly attributable to our effort to explore business opportunities with customers with greater advertising needs, such as Customer M which had a strong marketing demand for promotion of its business. For the years ended 31 December 2020 and 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the average gross billing from advertisement distribution services per customer were approximately RMB1.4 million, RMB1.9 million, RMB3.3 million, RMB25.3 million and RMB6.2 million, respectively. The increase in the average gross billing during the years ended 31 December 2020, 2021 and 2022 was mainly attributable to the decrease in the number of customers for our advertisement distribution services and our effort to serve customers for our advertisement distribution services with greater advertising needs. For the nine months ended 30 September 2023, the average gross billing from advertisement distribution services per customer decreased to approximately RMB6.2 million from approximately RMB25.3 million for the nine months ended 30 September 2022. Such decrease was mainly attributable to the migration of 88 customers from the advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

Our ability to increase the spending of our customers depends on various key factors, including (i) our insights into the latest market trends and customers' evolving needs and requirements; (ii) our content production capability to produce customised and purpose-oriented advertisements that attract and accumulate more audiences; and (iii) our continuous technological innovation to provide more precise advertising services.

In the event that any regulations imposed on industries which our customers are involved, our operations and/or financial performance might be adversely affected.

Retain, deepen and expand the relationship with our existing and new media partners

We acquire advertising space directly from our media publishers or indirectly from our media agents for placement of mobile ads on media platforms designated by us. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 30 September 2023, as distributor of 6 media publishers, we can distribute mobile ads on more than 30 media platforms operated by them. If any of our media partners, particularly our media publishers, cease their relationship with us, the amount of advertising space we have access to may decrease and we may not be able to provide the same volume of advertisement distribution services to our customers.

In addition, we seek to manage the user traffic acquisition costs that we pay to media partners so as to increase our profit margin. There are rebates from media partners from time to time. The rebates from media partners are primarily determined mainly based on the gross spending of our total traffic acquisition costs. We may also receive rebates from media partners which are determined by our media partners on a discretionary basis based on their commercial considerations. The rebates were settled either (i) by deduction of our account payables to them for the acquisition of advertising space purchased and as our prepayments or (ii) by cash. Our receipts of rebates can affect our gross profit margin. For mobile advertising solutions services customers, such rebates set off part of our traffic acquisition costs, thereby reduce our cost of services. For advertisement distribution services customers, such rebates are recognised as our revenue and would result in an increase in our revenue. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the rebates from media partners amounted to approximately RMB92.0 million, RMB132.5 million, RMB99.8 million and RMB111.8 million, respectively. See Notes 2(o) and 3(b)(i) of the Accountants' Report set out in Appendix I to this prospectus. However, any significant fluctuations in rebates from media partners may have a significant impact on our revenue and results of operations.

Ability to control our costs and expenses

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, traffic acquisition costs represented the largest component of our total cost of services, which accounted for approximately 97.0%, 96.7%, 96.9% and 97.6%, respectively, of our cost of services for the corresponding year/period. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in advertising traffic acquisition costs on our profit before income tax for the years/period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	2021	2022	2023
	Change in profit before income tax	Change in profit before income tax	Change in profit before income tax	Change in profit before income tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
+10%	(29,171)	(36,395)	(37,740)	(41,004)
+5%	(14,586)	(18,198)	(18,870)	(20,502)
-5%	14,586	18,198	18,870	20,502
-10%	29,171	36,395	37,740	41,004

We expect that the traffic acquisition costs will continue to be our most significant costs of service going forward, particularly in light of the continued expansion of our mobile advertising services. Our ability to control such costs and expenses may significantly affect our profitability.

Preferential tax treatments

Our income tax expenses were affected by the preferential tax treatments enjoyed by certain of our subsidiaries. In particular, Beijing Lesimedia is recognised as a high-tech enterprise and as a result, it is entitled to a preferential tax rate of 15% from December 2020 to October 2026. Pursuant to the rules and regulations of Khorgos, (i) Khorgos Lechuang and Khorgos Lemon are entitled to a tax-free period from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang is also entitled to a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia are entitled to a preferential income tax rate of 20% from 1 January 2022 to 31 December 2024. In addition, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From 1 October 2022, according to the Announcement of the MOF, the State Taxation Administration and the Ministry of Science and Technology on Increasing Support for Pre-tax Deductions for Scientific and Technological Innovation (Announcement no. 28 [2022])* (財政部、稅務總局、科技部關於加大支持科技創新稅前扣除力度公告[2022]第28號), such deductible rate increased from 75% to 100%. The deductible rate of 100% becomes a long term applicable rate pursuant to the Announcement of the MOF and the State Administration of Taxation on Further Improving the Pre-tax Deduction Policy for R&D Expenses (Announcement no. 7 [2023])* (財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策公告[2023]第7號) issued in 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial position and results of operations are based on the consolidated financial statements prepared in accordance with the material accounting policies in the Accountants' Report set out in Appendix I to this prospectus. Preparation of our individual and consolidated financial information requires us to make estimates and judgements in applying certain critical accounting policies which may have a significant impact on our consolidated results. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. The following discussion provides supplemental information on our critical accounting policies, certain of which require estimates and assumptions from our management.

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) material accounting policies; and (ii) critical accounting judgments and key sources of estimation uncertainty. For details of our material accounting policies, estimates, assumption and judgments, see Notes 2 and 3 of the Accountants' Report in Appendix I to this prospectus.

Revenue recognition

We generate revenue primarily from provision of mobile advertising solutions services. The method of our revenue recognition is affected by our role under each contract with customers. For contracts where our Group acts as a principal, we recognise revenue on a gross basis. For contracts where our Group acts as an agent, we recognise revenue on a net basis.

In our provision of mobile advertising solution services, we act as a principal and are the primary obligor responsible for fulfilling the contracts and we have the power to control the process of content generation that meet our customers' needs. We have control in the specified service before the service is delivered to our customers. We recognise revenue when we satisfy our performance obligation by transferring the services to our customers and act as the principal of these arrangements. We recognise our revenue earned and costs incurred in relation to these transactions on a gross basis.

In our provision of advertisement distribution services, we provide traffic acquisition services to our customers for publication of advertisements on targeted media platforms as determined by our customers. We do not have control in the specified service before the service is delivered to our customers. Thus, we act as an agent and report the amount received from our customers and amount paid to our media partners in relation to these transactions on a net basis.

(i) Mobile advertising solutions services (Gross basis)

We provide mobile advertising solutions services to our customers for promoting their brands, products and/or services on media platforms operated by our media partners. Our services include mobile marketing planning, production of ad creatives, traffic acquisition, ad placements, ad optimisation, ad campaign management and ad distribution. We charge our customers primarily based on a mix of CPC, CPM, CPD, CPA and/or CPT basis.

Under mobile advertising solutions services, our Group is the primary obligor responsible for fulfilling the contracts, and has the power to control the process of content generation that meet the customers' need. Revenue is determined based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of any trade discounts and rebates to our customers.

(ii) Advertisement distribution services (Net basis)

We also provide advertisement distribution services by acquiring advertising space and placing mobile ads on media platforms for our customers. We charge our customers primarily based on a mix of CPC, CPM, CPD, CPA and/or CPT basis.

Rebates from media partners

We record rebates from media partners as reduction of cost of services under gross basis (where we act as principal), or as revenue under net basis (where we act as agent). The rebates earned by our Group from media partners come with a variety of structures and rates, which are primarily determined based on the contract terms with these media partners, their applicable rebate policies, the business performances of our Group and the discretionary incentive programmes as set up by the media partners.

Our Group accrues rebates from media partners based on evaluation as to whether the contractually stipulated thresholds of advertising spending are likely to being reached, or other benchmarks or certain prescribed classification are likely to being qualified. This determination requires significant judgement and estimation. In making this judgement and estimation, our Group evaluates based on the past experience and regular monitoring of various performance factors set within the rebate policies. The actual rebates may be higher or lower than estimated at the end of reporting period, which would affect the revenue or cost of sales recognised in future years as an adjustment to the amounts recorded to date.

As advised by our PRC Legal Adviser, our receipts of rebates from media partners and the offers of rebates from media partners do not violate any applicable PRC laws and regulations in all material aspects provided that the offers are expressly agreed between the media partners or their distributors and our Group, the receipts and the offers are truthfully recorded in the books of our Group and media partners respectively and the relevant invoices are legally issued. According to the iResearch Report, the offers of rebates from media partners or their distributors to our Group are consistent with the market practice. As further advised by our PRC Legal Adviser, our offers of rebates to our customers are in compliance with and do not violate any applicable PRC laws and regulations in all material aspects provided that the offers are expressly agreed between our Group and our customers, our payments of rebates are truthfully recorded in our books and the relevant invoices are legally issued. According to the iResearch Report, our offers of rebates to our customers are consistent with the market practice.

When providing mobile advertising solutions services, the rebates we receive from the media partners are based on a pre-determined percentage of customers' actual advertising spending on media platforms of relevant media partners through us, and our media partners may also grant rebates to us on a discretionary basis based on their commercial considerations, which will be used to set off part of our traffic acquisition costs or recognised as our revenue. The rates of rebates are set by the media partners annually depending on the actual advertising spending on the acquisition of advertising space on media platforms and/or degree of fulfilment of certain KPIs set by the media partners, the sales and marketing strategies of the media partners in incentivising, attracting and retaining customer accounts.

During the Track Record Period, the rebates from our media partners were settled either (i) by deduction of our account payables to them for the acquisition of advertising space purchased and as our prepayments or (ii) by cash. We may offer rebates to customers as part of our incentive activities in some circumstances at our own discretion.

When providing advertisement distribution services, media partners may also grant us rebates which are recorded as revenue in our consolidated statements of comprehensive income.

We may offer incentive rebates to our customers, the rebates we offered to our customers are recognised as deduction of revenue in our consolidated statements of comprehensive income for the respective period when the related promised services were transferred to the customers under both the mobile advertising solutions services and advertisement distribution services.

See "Business — Pricing models — Rebates" in this prospectus.

Basis of provision/write-off for trade receivables

Credit loss from financial instruments and contract assets

We recognise a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which our Group is exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, we recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, we compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, we consider that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by us to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. We consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to us.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Our Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(o)(iii) in the Accountants' Report set out in Appendix I to this prospectus is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, we assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the gross carrying amounts of the trade receivables were approximately RMB177.9 million, RMB188.0 million, RMB160.9 million and RMB174.7 million, respectively, for which loss allowances for the trade receivables were approximately RMB1.8 million, RMB5.0 million, RMB3.0 million and RMB6.3 million, respectively.

RESULTS OF OPERATION

The following table presents a summary of the consolidated results of our Group for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	377,667	470,180	492,570	350,671	497,261
Cost of services	(300,810)	(376,489)	(389,517)	(285,409)	(420,234)
Gross profit	76,857	93,691	103,053	65,262	77,027
Other net income	4,567	4,660	4,978	3,135	1,292
Selling and marketing expenses	(2,951)	(3,863)	(4,244)	(3,043)	(2,481)
General and administrative expenses	(22,059)	(23,910)	(26,054)	(18,137)	(17,854)
Impairment losses on trade and other receivables	(1,722)	(7,677)	(5,129)	(4,645)	(6,134)
Profit from operations	54,692	62,901	72,604	42,572	51,850
Finance costs	(3,018)	(3,232)	(1,591)	(1,211)	(1,375)
Profit before income tax	51,674	59,669	71,013	41,361	50,475
Income tax	(1,901)	(2,181)	(2,706)	(1,365)	(1,564)
Profit for the year/period	49,773	57,488	68,307	39,996	48,911
— Equity shareholders of the Company	49,773	57,488	67,290	39,889	48,419
— Non-controlling interests	—	—	1,017	107	492

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated our revenue primarily from the provision of mobile advertising services, especially from mobile advertising solutions services to direct advertisers and advertising agents on behalf of their advertisers. Our customers primarily include direct advertisers and advertising agents. See "Business — Our business — Business model" in this prospectus.

We normally enter into annual framework agreements with our customers and charge them based primarily on a mix of CPC, CPM, CPD CPA and/or CPT basis. The proportion of our revenue generated from mobile advertising solutions services grew for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, benefiting from the increasing demand for our mobile advertising solutions services from our customers.

The following table sets forth a breakdown of our revenue by service type and by revenue recognition methods for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Mobile advertising solutions services (on gross basis)	343,438	90.9	433,250	92.1	454,156	92.2	325,742	92.9	477,306	96.0
Advertisement distribution services (on net basis)	34,229	9.1	36,930	7.9	38,414	7.8	24,929	7.1	19,955	4.0
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Benefiting from the increasing demand for our mobile advertising solutions services from our customers, our revenue generated from mobile advertising solutions services accounted for an increasing proportion and contributed to a substantial portion of our total revenue during the Track Record Period. In addition, we acted as principal and had control in the specified service, revenue generated therefrom is recorded on a gross basis during the Track Record Period. In addition, we also provide advertisement distribution services by acquiring advertising space for placement of mobile ads on media platforms for direct advertisers or advertising agents, where we act as an intermediary rather than as a principal, and our revenue generated therefrom is recorded on a net basis. Under this arrangement, the rebates from the media partners (calculated primarily based on the gross spending of our total traffic acquisition costs) and discretionary rebates from media partners, are recognised as reduction of cost of services for mobile advertising solutions services and as revenue for advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, (i) the rebates from media partners which were recognised as reduction of cost of services for mobile advertising solutions services amounted to approximately RMB55.0 million, RMB71.3 million, RMB48.6 million, RMB66.8 million and RMB89.7 million, respectively; and (ii) the rebates from media partners which were recognised as revenue for advertisement distribution services amounted to approximately RMB37.0 million, RMB61.2 million, RMB51.2 million, RMB4.9 million and RMB22.1 million, respectively. For the year ended 31 December 2021, the increase in rebates from media partners for our mobile advertising solutions services and our advertisement distribution services was mainly attributable to the increase in purchase of advertising space and the rebates from a new media partner, namely Supplier H, offering more favourable rebate policies. For the year ended 31 December 2022, the decrease in rebates from media partners for our mobile advertising solutions services and our advertisement distribution services was mainly attributable to (i) the increase in our purchase of advertising space from media agents which generally offer less rebates but more favourable payment terms, such as Supplier J which did not require our prepayments and offered us credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms. For the nine months ended 30 September 2022 and 2023, the rebates from media partners which were recognised as reduction of cost of services for mobile advertising solutions services increased due to increase in rebates settled by cash, which is consistent with the increase in cost of services. See ''Critical accounting policies and estimates'' in this section and Note 3 of the Accountants' Report set out in Appendix I to this prospectus for more details regarding our revenue recognition policies.

Our revenue was mainly generated from mobile advertising solutions services and the same experienced continuous growth and increased from approximately RMB343.4 million for the year ended 31 December 2020 to approximately RMB433.3 million for the year ended 31 December 2021, and further to approximately RMB454.2 million for the year ended 31 December 2022. The proportion of revenue generated from mobile advertising solutions services continued to increase from approximately 90.9% to 92.1% and further to 92.2% of the total revenue of our Group, for the corresponding year, respectively, under the continual management effort to expand the mobile advertising solutions services. Our revenue generated from mobile advertising solutions services increased from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023, representing approximately 92.9% and 96.0% of total revenue of our Group, respectively, for the same reason. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services and the strong marketing demand from a new customer, namely Customer M.

The following table sets forth our revenue generated from our mobile advertising services by type of customers for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Direct advertisers	304,778	80.7	338,760	72.0	370,518	75.2	257,392	73.4	395,823	79.6
Advertising agents	72,889	19.3	131,420	28.0	122,052	24.8	93,279	26.6	101,438	20.4
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

The following table sets forth a breakdown of the number of our customers for our mobile advertising services by type of customers for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	No. of customers	*No. of customers*	*No. of customers*	*No. of customers*	*No. of customers*
Direct advertisers	135	156	197	129	115
Advertising agents	103	85	98	45	35
Total	**238**	**241**	**295**	**174**	**150**

For the years ended 31 December 2020, 2021 and 2022, there has been continual increase in the number of direct advertisers, which was mainly attributable to the increase in number of customers for our mobile advertising solutions services as we expanded our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was a decrease in the number of direct advertisers and advertising agents, which was mainly attributable to the focus of our resources to serve customers with greater advertising needs in general, such as Customer M.

During the Track Record Period, our management decided to deepen the business relationship with direct advertisers with a view to attract more advertising budgets from direct advertisers and scale down our efforts in reaching out to advertising agents with comparatively low advertising budgets to reduce our management cost to enhance our operation efficiency and profitability. Thus, there was a decrease in the number of advertising agents for the year ended 31 December 2021. For the years ended 31 December 2020, 2021 and 2022, our revenue from advertising agents amounted to approximately RMB72.9 million, RMB131.4 million and RMB122.1 million, respectively. The increase in revenue from the year ended 31 December 2020 to the year ended 31 December 2021 from advertising agents was attributable to our effort on serving advertising agents with greater advertising needs. Such revenue remained relatively stable for the year ended 31 December 2022. For the nine months ended 30 September 2022 and 2023, our revenue from advertising agents amounted to approximately RMB93.3 million and RMB101.4 million, respectively, and remained relatively stable.

Our customers operate in a wide array of industry verticals, of which more than 50% of our revenue were generated from customers from the technology and internet services industry, which include some of our largest customers in each year/period during the Track Record Period, namely Customer A, Customer B, Customer D, Customer H and Customer M, with the remaining spread across different industries, such as gaming, financial services and e-commerce industries. During the Track Record Period, our Group served customers with different scale and advertising needs. We also continued to make marketing effort to explore new customers and diversify the industry verticals of our customer base to diversify our risks. The table below sets forth a breakdown of our revenue by industry verticals of our customers for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*[(4)]	*RMB'000*	*%*[(4)]	*RMB'000*	*%*[(4)]	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Technology and internet services[(1)]	295,907	78.4	305,779	65.0	272,982	55.4	181,115	51.6	368,626	74.1
Gaming	874	0.2	3,893	0.8	16,724	3.4	12,036	3.4	763	0.2
Financial services	6,955	1.9	4,684	1.0	3,586	0.7	2,406	0.7	5,734	1.2
Publishing media	136	0.0	99	0.0	13,721	2.8	11,045	3.2	13,124	2.6
E-commerce	582	0.2	6,376	1.4	18,855	3.8	16,116	4.6	226	0.0
Medical health	—	0.0	7,374	1.6	6,465	1.3	6,346	1.8	438	0.1
Travel	171	0.0	1,162	0.2	27,568	5.6	21,908	6.2	38	0.0
Energy	—	0.0	6,114	1.3	9,681	2.0	5,876	1.7	6,872	1.4
Others[(2)]	153	0.0	3,279	0.7	936	0.2	544	0.2	2	0.0
Advertising agents[(3)]	72,889	19.3	131,420	28.0	122,052	24.8	93,279	26.6	101,438	20.4
	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

Notes:

(1) Include technology companies which provide a wide range of products and services including app store, social media platforms, search engines, video sharing and browsing apps, news apps, etc.

(2) Others primarily include education, real estate, business services, sports and food and beverage industries, etc.

(3) Advertising agents are advertising companies, which generally do not maintain a large team of manpower for handling ad placements requests and/or in-house production of mobile ads. They engaged us for mobile advertising services on behalf of their own customers, which are direct advertisers from various industries. See "Business — Our Business — Customers" in this prospectus.

(4) Subject to rounding error, certain figures were marked as "0.0%".

The following table illustrates the reconciliation of our gross billing and our revenue recorded under advertisement distribution services on net basis for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Gross billing	285,896	357,883	377,691	252,832	274,127
Less: Traffic acquisition costs from media partners	251,667	320,953	339,277	227,903	254,172
	34,229	36,930	38,414	24,929	19,955

The gross billing margin under advertisement distribution services, calculated as gross billing net traffic acquisition costs from media partners divided by gross billing, was approximately 12.0%, 10.3%, 10.2%, 9.9% and 7.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively.

The decrease in our gross billing margin for the years ended 31 December 2021 and 2022 was mainly due to the increase in traffic acquisition costs with the decrease in rebates from media partners, and was mainly attributable to (i) the increase in our purchase of advertising space from media agents which generally offer less rebates but more favourable payment terms, such as Supplier J which did not require our prepayments and offered us credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms.

The decrease in our gross billing margin for the nine months ended 30 September 2022 and 2023 was mainly due to the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time.

Cost of services

Our cost of services primarily include traffic acquisition costs, employee benefit expenses and video production costs. During the Track Record Period, traffic acquisition costs constituted the largest portion of our cost of services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our traffic acquisition costs amounted to approximately RMB291.7 million, RMB364.0 million, RMB377.4 million, RMB277.0 million and RMB410.0 million, respectively, accounting for approximately 97.0%, 96.7%, 96.9%, 97.0% and 97.6%, respectively, of our total cost of services for the corresponding years/periods.

The following table sets forth a breakdown of our cost of services by nature for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Traffic acquisition costs	291,712	97.0	363,951	96.7	377,395	96.9	276,953	97.0	410,043	97.6
Employee benefit expenses	6,342	2.1	9,417	2.5	8,826	2.3	6,183	2.2	6,507	1.5
Video production costs	2,053	0.7	2,305	0.6	2,569	0.6	1,702	0.6	2,862	0.7
Depreciation and amortisation expenses	703	0.2	816	0.2	727	0.2	571	0.2	822	0.2
Total	300,810	100.0	376,489	100.0	389,517	100.0	285,409	100.0	420,234	100.0

Traffic acquisition costs mainly represents costs of advertising space we purchase from our media partners. Our traffic acquisition costs may vary due to a number of factors, including, but not limited to, the media platforms, total volume of user traffic purchased, specific advertising spaces, time and duration of the ad campaigns, and the different pricing policies of media partners. Our traffic acquisition costs accounted for a substantial portion of our total cost of services during the Track Record Period, as we generally acquired advertising space from media partners to post the mobile ads for our customers.

The fluctuation in traffic acquisition costs are in line with the revenue generated from mobile advertising solutions services excluding ad optimisation services as standalone services which do not require our acquisition of advertising space. In relation to ad optimisation services as standalone services, we would not acquire advertising space and, thus, no traffic acquisition cost would be incurred. Given that our project enhancers are responsible for our provision of ad optimisation services, the cost on provision of ad optimisation services was included in our employee benefit expenses during the Track Record Period.

The rebates from media partners are primarily based on our gross spending of our total traffic acquisition costs, which partially set off our traffic acquisition costs. Such rebates under the gross method are recorded as reduction of cost of services, and if under the net method, are recorded as increase in revenue in our consolidated statements of comprehensive income. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the aggregate amount of rebates recorded under the gross method and net method from media partners was approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, being approximately 14.6%, 16.7%, 12.0%, 12.4% and 14.9% of our gross billing, respectively. The fluctuations in our rebates from media partners and their distributors for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 and 2023 was generally in line with the changes in gross billing; and the decrease in rebates from media partners and their distributors for the year ended 31 December 2022 was mainly attributable to (i) the increase in proportion in purchase of advertising space from media agents which generally offer less rebates, such as Supplier J which did not require our prepayments and offered us with credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms.

Traffic acquisition costs net of rebates of our Group was approximately RMB236.7 million, RMB292.7 million, RMB328.8 million, RMB210.2 million and RMB320.4 million for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively. Such increase was generally in line with the increase in revenue generated from mobile advertising solutions services.

Employee benefit expenses mainly consist of the wages, salaries, bonuses, social insurance, and housing benefits. The employee benefit expenses of our Group increased from approximately RMB6.3 million for the year ended 31 December 2020 to approximately RMB9.4 million for the year ended 31 December 2021, representing approximately 2.1% and 2.5% of our cost of services for the corresponding periods, mainly due to the increase in number of staff of our operations and content production team. The employee benefit expenses of our Group was approximately RMB9.4 million for the year ended 31 December 2021 and approximately RMB8.8 million for the year ended 31 December 2022, representing approximately 2.5%, 2.3%, of our cost of services for the corresponding years, and remained stable. For the nine months ended 30 September 2022 and 2023, the employee benefit expenses of our Group was approximately RMB6.2 million and RMB6.5 million, respectively, and increased slightly by approximately 5.2%, and remained relatively stable.

Gross profit and gross profit margin

Our gross profit consists of our revenue less cost of services. For the years ended 31 December 2020, 2021 and 2022, our gross profit increased continuously, being approximately RMB76.9 million, RMB93.7 million and RMB103.1 million, respectively. For the nine months ended 30 September 2022 and 2023, we recorded an increase in gross profit from approximately RMB65.3 million to RMB77.0 million. Such increases were mainly due to the increase in gross profit generated from provision of mobile advertising solutions services. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended 31 December 2020, 2021 and 2022, our gross profit margin remained relatively stable, being approximately 20.4%, 19.9% and 20.9%, respectively. Our gross profit margin decreased from approximately 18.6% for the nine months ended 30 September 2022 to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in our traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and (ii) the decrease in our revenue from advertisement distribution services.

The following table sets forth a breakdown of our gross profit and gross profit margin by type of our services for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Mobile advertising solutions services	42,628	12.4	56,761	13.1	64,639	14.2	40,333	12.4	57,072	12.0
Advertisement distribution services *(Note)*	34,229	100.0	36,930	100.0	38,414	100.0	24,929	100.0	19,955	100.0
Total	76,857	20.4	93,691	19.9	103,053	20.9	65,262	18.6	77,027	15.5

Note: When we provide only traffic acquisition services for our customers, we act as an intermediary, where our gross billing directly net off traffic acquisition costs, and we do not record cost of services separately.

For mobile advertising solutions services, our gross profit margin increased continuously for the years ended 31 December 2020, 2021 and 2022, which was mainly attributable to (i) the continual effort of our management to expand our mobile advertising solutions services and serve customers for our advertisement distribution services with greater advertising needs; and (ii) the provision of ad optimisation services to some of our customers under our mobile advertising solutions services, which commenced in the year ended 31 December 2020 and does not require our acquisition for advertising space, which accounted for a significant portion of our cost of services. See "Business — Ad Optimisation" in this prospectus. Our gross profit margin for mobile advertising solutions services for the nine months ended 30 September 2022 and 2023 remained relatively stable.

Other net income

Other net income consisted of interest income, additional deductible VAT and others. Others generally include non-operating expenses.

The following table sets forth a breakdown of our other net income for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income	379	210	146	118	126
Additional deductible VAT	4,313	4,753	3,794	2,276	1,712
Others *(Note)*	(125)	(303)	1,038	741	(546)
Total	4,567	4,660	4,978	3,135	1,292

Note: For the year ended 31 December 2022 and the nine months ended 30 September 2022, others primarily include recovery of bad debts, which were written off in prior years.

Pursuant to the Announcement of the MOF, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement no. 39 [2019])* (財政部、稅務總局、海關總署《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告[2019]第39號)), our Group's subsidiaries, as modern service companies, qualify for additional 10% deduction of input VAT from output VAT during the years ended 2020 and 2021. In accordance with the Announcement of the MOF and the State Taxation Administration regarding the VAT Policies for Promoting The Bailout and Development of Distressed Industries in the Service Sector (Announcement no. 11 [2022])* (財政部、稅務總局關於促進服務業領域困難行業紓困發展有關增值稅政策公告2022年第11號), the above policies are extended to 31 December 2022. According to the Announcement of the MOF and the State Taxation Administration on Clarifying Policies on Reduction and Exemption of VAT for Small-scale Value-Added Taxpayers (Announcement no. 1 [2023])* (財政部、稅務總局關於明確增值稅小規模納稅人減免增值稅等政策的公告2023年第1號), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023. The additional deduction is recognised as other income.

Our other net income remained relatively stable and amounted to approximately RMB4.6 million, RMB4.7 million and RMB5.0 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our other net income decreased significantly from approximately RMB3.1 million for the nine months ended 30 September 2022 to approximately RMB1.3 million for the nine months ended 30 September 2023 due to the decrease in additional deductible VAT.

Selling and marketing expenses

Selling and marketing expenses primarily consisted of employee benefit expenses, entertainment expenses and travelling expenses. Other expenses include office expenses, express delivery fees and depreciation.

The following table sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	2,690	3,194	4,020	2,853	2,328
Entertainment expenses	132	438	124	103	39
Travelling expenses	88	119	23	10	64
Others	41	112	77	77	50
Total	2,951	3,863	4,244	3,043	2,481

Our selling and marketing expenses increased from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.9 million for the year ended 31 December 2021, representing an increase of approximately 30.9%, primarily due to the increase in number of sales and marketing staff and the increase in entertainment expenses, coupled with relatively low base of employee benefit expenses for the year ended 31 December 2020 where partial exemption to the contributions to social insurance by the PRC government from February to December 2020 due to COVID-19 pandemic was no longer available for the year ended 31 December 2021. Our selling and marketing expenses increased slightly by approximately 7.7% from approximately RMB3.9 million for the year ended 31 December 2021 to approximately RMB4.2 million for the year ended 31 December 2022, mainly due to increase in employee benefit expenses and remained relatively stable. For the year ended 31 December 2021, entertainment expenses increased significantly as compared to that for the year ended 31 December 2020 mainly due to the increase of our business and social activities as the control measures in response to the COVID-19 pandemic eased in 2021. For the year ended 31 December 2022, entertainment expenses decreased significantly as compared to that for the year ended 31 December 2021 mainly due to tightened internal policy on cost control management and the resurgence of COVID-19 outbreak in 2022. For the nine months ended 30 September 2022 and 2023, our selling and marketing expenses amounted to approximately RMB3.0 million and RMB2.5 million, respectively, and remained relatively stable.

General and administrative expenses

General and administrative expenses primarily consisted of research and development expenses, employee benefit expenses of senior management and administrative staff and professional fees. Our research and development expenses primarily comprise expenses incurred for engaging a third-party software development service provider for upgrading our in-house information technology system. Our general and administrative expenses amounted to approximately RMB22.1 million for the year ended 31 December 2020, primarily due to the engagement of professionals in connection with advice on the possibility to seek listing in the United States to gain access to capital in the United States and we decided not to proceed further subsequently after having considered the deterioration of the China-U.S. relationship. Such listing plan was preliminary and no listing application was made to any regulatory authority. Our general and administrative expenses increased by approximately 8.4% to approximately RMB23.9 million for the year ended 31 December 2021, primarily due to the increase in professional fees in connection with the Listing, and increase in employee benefit expenses, as the one-off partial exemption to the contributions to social insurance by the PRC government in 2020 due to COVID-19 which is no longer available in 2021, being offset by the decrease in research and development expenses because our third-party software development service provider completed our outsourced project on system upgrade of our self-developed platform, which was aimed at satisfying our operational needs and in response to an upgrade of a media partner's system in the second quarter in 2021. Our general and administrative expenses increased by approximately 9.2% from approximately RMB23.9 million for the year ended 31 December 2021 to approximately RMB26.1 million for the year ended 31 December 2022, primarily attributable to increase in professional fees in connection with the Listing, being offset by the decrease in employee benefit expenses. Our employee benefit expenses decreased by approximately 31.0% from approximately RMB4.2 million for the year ended 31 December 2021 to approximately RMB2.9 million for the year ended 31 December 2022 mainly due to the relocation of our video production base from Beijing to Changsha and the labour cost in Changsha is lower than that in Beijing. For the nine months ended 30 September 2022 and 2023, our general and administrative expenses amounted to approximately RMB18.1 million and RMB17.9 million, respectively, and remained relatively stable.

The following table sets forth a breakdown of our general and administrative expenses for the years/periods indicated:

	For the year ended 31 December			**For the nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	3,407	4,242	2,879	2,362	2,074
Research and development expenses	12,485	7,532	7,478	4,642	5,310
Professional fees	3,683	8,830	13,273	9,734	8,236
Depreciation	263	387	512	322	233
Property utilities expenses	808	655	368	283	259
Office expenses	406	593	430	142	256
Entertainment expenses	263	388	365	212	754
Rental expenses	205	163	297	151	360
Travelling expenses	311	412	237	176	327
Others*(Note)*	228	708	215	113	45
Total	22,059	23,910	26,054	18,137	17,854

Note: Others include service charges, conference room booking fee, courier charges, renovation expenses etc.

Impairment losses on trade and other receivables

Our Group's management regularly reviews the recoverability of our overdue balances and when appropriate, provides for impairment of these trade receivables. We may be exposed to the recoverability risks during our operation. During the Track Record Period, there were sufficient provision made for our trade and other receivables. Our impairment losses on trade and other receivables comprised provision for impairment losses on trade and other receivables. The following table sets forth a breakdown of which for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Provision for impairment losses					
— Trade receivables	1,319	5,594	1,948	2,600	3,303
— Other receivables	403	2,083	3,181	2,045	2,831
	1,722	7,677	5,129	4,645	6,134

For customers with regular payments, we generally assess the expected credit loss by referring to, among others, our Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions. The provision for impairment losses on trade and other receivables amounted to approximately RMB1.7 million for the year ended 31 December 2020 and was mainly attributable to increase in trade receivables balance. It increased to approximately RMB7.7 million for the year ended 31 December 2021 mainly due to the aged balance of trade and other receivables. For the year ended 31 December 2022, the provision for impairment losses decreased to approximately RMB5.1 million mainly due to the decrease in aged trade receivables. For the nine months ended 30 September 2022 and 2023, we recorded an increase in provision for impairment losses from approximately RMB4.6 million to approximately RMB6.1 million, respectively, which was mainly attributable to aged balance of trade and other receivables.

Finance costs

Our finance costs consist of (i) interest expense on bank loans, (ii) interest expense on unsecured key management personnel loans provided to our Group, (iii) interest expense on other unsecured borrowings, which includes borrowings from non-financial institutions, (iv) interest expense on factoring facilities, and (v) interest on lease liabilities. Our finance costs increased from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.2 million for the year ended 31 December 2021, and remained relatively stable. Our finance costs decreased from approximately RMB3.2 million for the year ended 31 December 2021 to approximately RMB1.6 million for the year ended 31 December 2022, primarily attributable to the decrease in bank borrowings. For the nine months ended 30 September 2022 and 2023, our finance costs amounted to approximately RMB1.2 million and RMB1.4 million, respectively, and remained relatively stable. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense on:					
— Bank loans	2,632	2,731	1,434	1,096	1,296
— Unsecured key management personnel loans	35	228	—	—	—
— Other unsecured borrowings	239	83	—	—	—
— Factoring facilities	50	54	—	—	—
Interest on lease liabilities	62	136	157	115	79
Total	3,018	3,232	1,591	1,211	1,375

Income tax

Our income tax expenses consist of current tax and deferred tax in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our income tax expenses were approximately RMB1.9 million, RMB2.2 million, RMB2.7 million, RMB1.4 million and RMB1.6 million, respectively. We are subject to various rates of income tax under different provinces.

The following table sets forth the breakdown of our income tax expenses for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax	1,734	2,350	2,450	2,004	1,880
Deferred tax	167	(169)	256	(639)	(316)
Total	1,901	2,181	2,706	1,365	1,564

Our effective income tax rate was approximately 3.7%, 3.7%, 3.8% for the years ended 31 December 2020, 2021 and 2022, respectively, and remained relatively stable. For the nine months ended 30 September 2022 and 2023, our effective income tax rate was approximately 3.3% and 3.1%. The low effective income tax rate is primarily because some of our subsidiaries are entitled to tax-free period during the Track Record Period. See "Key components of our results of operations – PRC enterprise income tax" in this section. During the Track Record Period and up to the Latest Practicable Date, there were no matters in dispute or unresolved with the relevant tax authorities.

During the Track Record Period, we recorded a low effective income tax rate mainly due to the followings reasons:

(i) we have 2 subsidiaries established in Xinjiang in 2017 and 2020, namely (a) Khorgos Lechuang and (b) Khorgos Lemon, which are principally engaged in the provision of mobile advertising services, including ad planning, production of ad creatives and design, post-production and publication of mobiles ads and handle sales and marketing business. Both of Khorgos Lechuang and Khorgos Lemon were entitled to tax benefits during the Track Record Period. Khorgos Lechuang was entitled to a tax-free period in 2020 and 2021 and a preferential tax rate of 15% in 2022 and 2023. Khorgos Lemon was entitled to a tax-free period throughout the Track Record Period; and

(ii) our offices in Xinjiang and Beijing served as our sales centres; and

(iii) a significant amount of our profit before income tax was generated from our Xinjiang office and we enjoyed the aforesaid tax-free period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (i) our Xinjiang office accounted for approximately 71.6%, 70.7%, 64.5% and 73.1% of our profit before income tax, respectively; (ii) our Beijing office accounted for approximately 28.6%, 33.1%, 39.9% and 32.5% of our profit before income tax, respectively.

During the Track Record Period, our Group has made addition provision in relation to additional tax on deduction of research and development ("**R&D**") expenses. Certain contractors for R&D services have not registered the R&D contracts with the competent department. Our R&D expenses may not be recognised as qualified R&D expenses for additional tax deduction under applicable rules and regulations of the PRC. However, reversal of provision could be made after successful registration of the R&D contracts. As at the Latest Practicable Date, (i) the filing and registration procedures of 2 R&D contracts have not been completed yet but the contractor has submitted all necessary application to the competent authority and (ii) 1 R&D contract cannot be submitted for filing and registration. The aggregate amount of claimed tax deduction in relation to these three R&D contracts was approximately RMB539,000. We may have underpaid our tax when we claimed for tax deduction on such R&D expenses. According to the Law of the PRC on the Administration of Tax Collection (Revised in 2015) (中國稅收徵收管理法(2015修正)) (the "**Administration Law on Tax Collection**"), (i) when a taxpayer fails to pay its tax within the prescribed time limit, the tax authority may impose a fine at the rate of 0.05% of the amount of tax in arrears on a daily basis; and (ii) when a tax payer underpays its tax that should be paid within a specified time and, after being ordered by the tax authority to pay within a specified time, still fails to pay the tax, is subject to a fine of not less than 50% but not more than five times the amount of tax the tax payer underpays. In this regard, our Group may be subject to a fine of approximately RMB0.3 million to RMB2.7 million up to 30 September 2023 in connection to the said

R&D expenses if the Group fails to pay the tax within the time limit required by the tax authority. Our PRC Legal Adviser conducted an interview with the deputy director of the branch office of the State Taxation Administration in Changping District, Beijing (being the tax bureau and the competent authority in charge of tax matters relating to the relevant PRC subsidiary of our Group) and informed the deputy director that certain R&D contracts had not been registered. As confirmed by such tax bureau, if our Group initiates a request to the tax bureau for payment of the tax deduction claimed on the R&D contracts that are not registered (including the related late payment), the tax bureau shall not impose any penalty on our Group. We have made a request to the tax bureau for payment of the tax deduction and the related late payment as we claimed tax deduction and such amount was not paid within a specified time, and such payments have been settled in October 2023. Given that we have made addition provision in relation to additional tax on deduction of R&D expenses, there would be no material financial impact on our Group if the registration of the 2 R&D contracts is rejected. If the registration of the 2 R&D contracts is successful, reversal of provision would be made and we would apply to the tax bureau for the refund of payment of tax deduction and/or late payment made in October 2023.

Our Company and our subsidiaries are corporations incorporated in different jurisdictions, with different taxation requirements illustrated below:

Cayman Islands and BVI

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and accordingly is not subject to Cayman Islands income tax. While pursuant to the rules and regulations of the BVI, our Group is not subject to any income tax in the BVI.

Hong Kong

No provision for Hong Kong profits tax has been made as our Group did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

PRC enterprise income tax

Income tax provision of our 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. As advised by our PRC Legal Adviser, according to the EIT Law, the statutory income tax rate is 25% and members of our Group in the PRC are subject to PRC income tax at 25% unless otherwise specified and entities that qualified as high-tech enterprises enjoy a preferential tax rate of 15%. As Beijing Lesimedia is recognised as a high-tech enterprise, it enjoys the preferential tax rate from December 2020 to October 2026. Moreover, pursuant to the Notice on Preferential Enterprise Income Tax Policies for the Two Special Economic Development Zones in Khorgos, Kashgar, Xinjiang* (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) and Implementation Opinions on Accelerating the Construction of Khorgos Economic Development Zone* (關於加快喀什霍爾果斯經濟開發區建設的實施意見), (i) Khorgos Lechuang and Khorgos Lemon are entitled to income-tax-free periods from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang also enjoys a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia are entitled to a preferential income tax rate of 20% from 1 January 2021 to 31 December 2022. In addition, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From 1 October 2022, according to the Announcement of the MOF, the State Taxation Administration and the Ministry of Science and Technology on Increasing Support for Pre-tax Deductions for Scientific and Technological Innovation (Announcement no. 28 [2022])* (財政部、稅務總局、科技部關於加大支持科技創新稅前扣除力度公告[2022]第28號), such deductible rate increased from 75% to 100%. The deductible rate of 100% becomes a long term applicable rate pursuant to the Announcement of the MOF and the State Administration of Taxation on Further Improving the Pre-tax Deduction Policy for R&D Expenses (Announcement no. 7 [2023])* (財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策公告[2023]第7號) issued in 2023. See "Regulatory overview — Laws and regulations relating to taxation" of this prospectus. During the Track Record Period and up the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by government authorities with respect to our compliance with applicable tax laws and regulations. Moreover, we have obtained written confirmations from local tax bureaus of the PRC confirming that there was no outstanding tax payable by us or we were not subject to any penalty due to non-compliance with applicable rules or regulations during the period specified therein respectively. As advised by our PRC Legal Adviser, such confirmations have been issued by competent authorities.

Profit for the year/period

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our net profit amounted to approximately RMB49.8 million, RMB57.5 million, RMB68.3 million, RMB40.0 million and RMB48.9 million, respectively, representing a net profit margin of approximately 13.2%, 12.2%, 13.9%, 11.4% and 9.8%, respectively. The decrease in net profit from the nine months ended 30 September 2022 to the nine months ended 30 September 2023 was generally in line with the increase in cost of services, impairment losses on trade and other receivables and income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 30 September 2023 compared to nine months ended 30 September 2022

Revenue

Our revenue increased by approximately RMB146.6 million or 41.8% from approximately RMB350.7 million for the nine months ended 30 September 2022 to approximately RMB497.3 million for the nine months ended 30 September 2023. The increase was mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB151.6 million or 46.5%, from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services and the strong marketing demand from a new customer, namely Customer M.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services decreased by approximately RMB4.9 million or 19.7%, from approximately RMB24.9 million for the nine months ended 30 September 2022 to approximately RMB20.0 million for the nine months ended 30 September 2023. The decrease was mainly due to our focus on business of mobile advertising solution services.

Cost of services

Our cost of services increased by approximately RMB134.8 million or 47.2%, from approximately RMB285.4 million for the nine months ended 30 September 2022 to approximately RMB420.2 million for the nine months ended 30 September 2023. This increase was in line with the increase in revenue generated from provision of mobile advertising solutions service for the corresponding period.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB11.7 million or 17.9%, from approximately RMB65.3 million for the nine months ended 30 September 2022 to approximately RMB77.0 million for the nine months ended 30 September 2023, which was mainly due to the increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin decreased from approximately 18.6% for the nine months ended 30 September 2022 to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by to the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and (ii) the decrease in our revenue from advertisement distribution services.

Other net income

Our other net income decreased by approximately RMB1.8 million or 58.1%, from approximately RMB3.1 million for the nine months ended 30 September 2022 to approximately RMB1.3 million for the nine months ended 30 September 2023 due to the decrease in additional deductible VAT.

Selling and marketing expenses

Our selling and marketing expenses decreased slightly by approximately RMB0.5 million or 16.7%, from approximately RMB3.0 million for the nine months ended 30 September 2022 to approximately RMB2.5 million for the nine months ended 30 September 2023.

General and administrative expenses

Our general and administrative expenses decreased slightly by approximately RMB0.2 million or 1.1%, from approximately RMB18.1 million for the nine months ended 30 September 2022 to approximately RMB17.9 million for the nine months ended 30 September 2023 and remained relatively stable.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables increased by approximately RMB1.5 million or 32.6%, from approximately RMB4.6 million for the nine months ended 30 September 2022 to approximately RMB6.1 million for the nine months ended 30 September 2023. This increase was mainly attributable to increase in aged balance of trade and other receivables.

Finance costs

Our finance costs increased by approximately RMB0.2 million or 16.7%, from approximately RMB1.2 million for the nine months ended 30 September 2022 to approximately RMB1.4 million for the nine months ended 30 September 2023.

Income tax

Our income tax increased by approximately RMB0.2 million or 14.3%, from approximately RMB1.4 million for the nine months ended 30 September 2022 to approximately RMB1.6 million for the nine months ended 30 September 2023 mainly as a result of increase in taxable income for the nine months ended 30 September 2023. Our effective tax rate was approximately 3.3% and 3.1% for the nine months ended 30 September 2022 and 2023, respectively. The low effective income tax rate is primarily because some of our subsidiaries are entitled to a tax-free period during the periods concerned.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB8.9 million or 22.3%, from approximately RMB40.0 million for the nine months ended 30 September 2022 to approximately RMB48.9 million for the nine months ended 30 September 2023. Our net profit margin decreased from approximately 11.4% for the nine months ended 30 September 2022 to approximately 9.8% for the nine months ended 30 September 2023 and was generally in line with the increase in cost of services, impairment losses on trade and other receivables and income tax.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue

Our revenue increased by approximately RMB22.4 million or 4.8%, from approximately RMB470.2 million for the year ended 31 December 2021 to approximately RMB492.6 million for the year ended 31 December 2022. This increase was mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB20.9 million or 4.8%, from approximately RMB433.3 million for the year ended 31 December 2021 to approximately RMB454.2 million for the year ended 31 December 2022 with continual management effort to expand the mobile advertising solutions services. The number of customers for our mobile advertising solutions services increased from 52 for the year ended 31 December 2021 to 181 for the year ended 31 December 2022. For the year ended 31 December 2022, the significant increase in the number of customers for our mobile advertising solutions services was mainly attributable to the migration of 88 customers from our advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services increased by approximately RMB1.5 million or 4.1%, from approximately RMB36.9 million for the year ended 31 December 2021 to approximately RMB38.4 million for the year ended 31 December 2022 and remained relatively stable.

Cost of services

Our cost of services increased by approximately RMB13.0 million or 3.5%, from approximately RMB376.5 million for the year ended 31 December 2021 to approximately RMB389.5 million for the year ended 31 December 2022 and remain relatively stable.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB9.4 million or 10.0%, from approximately RMB93.7 million for the year ended 31 December 2021 to approximately RMB103.1 million for the year ended 31 December 2022 mainly due to increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin increased slightly from approximately 19.9% for the year ended 31 December 2021 to approximately 20.9% for the year ended 31 December 2022.

Other net income

Our other net income increased by approximately RMB0.3 million or 6.4%, from approximately RMB4.7 million for the year ended 31 December 2021 to approximately RMB5.0 million for the year ended 31 December 2022 and remained relatively stable.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable and recorded approximately RMB3.9 million and RMB4.2 million for the years ended 31 December 2021 and 2022.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB2.2 million or 9.2%, from approximately RMB23.9 million for the year ended 31 December 2021 to approximately RMB26.1 million for the year ended 31 December 2022. This increase was mainly due to increase in professional fees in connection with the Listing, being offset by the decrease in employee benefit expenses.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables decreased by approximately RMB2.6 million or 33.8%, from approximately RMB7.7 million for the year ended 31 December 2021 to approximately RMB5.1 million for the year ended 31 December 2022. This decrease was mainly due to the decrease in aged trade receivables.

Finance costs

Our finance costs decreased by approximately RMB1.6 million or 50.0%, from approximately RMB3.2 million for the year ended 31 December 2021 to approximately RMB1.6 million for the year ended 31 December 2022. This decrease was mainly due to decrease in bank borrowings.

Income tax

Our income tax increased by approximately RMB0.5 million or 22.7%, from approximately RMB2.2 million for the year ended 31 December 2021 to approximately RMB2.7 million for the year ended 31 December 2022. Our effective tax rate increased from approximately 3.7% for the year ended 31 December 2021 to approximately 3.8% for the year ended 31 December 2022 and remained relatively stable.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB10.8 million or 18.8%, from approximately RMB57.5 million for the year ended 31 December 2021 to approximately RMB68.3 million for the year ended 31 December 2022. Our net profit margin increased from approximately 12.2% for the year ended 31 December 2021 to approximately 13.9% for the year ended 31 December 2022 and the increase was in line with the increase in revenue and gross profit.

Year ended 31 December 2021 compared to year ended 31 December 2020

Revenue

Our revenue increased by approximately RMB92.5 million or 24.5%, from approximately RMB377.7 million for the year ended 31 December 2020 to approximately RMB470.2 million for the year ended 31 December 2021. This increase was mainly due to the increase in revenue generated from mobile advertising solutions services.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB89.8 million or 26.2%, from approximately RMB343.4 million for the year ended 31 December 2020 to approximately RMB433.3 million for the year ended 31 December 2021. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services. Our number of customers for our mobile advertising solutions services increased from 35 for the year ended 31 December 2020 to 52 for the year ended 31 December 2021.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services increased by approximately RMB2.7 million or 7.9%, from approximately RMB34.2 million for the year ended 31 December 2020 to approximately RMB36.9 million for the year ended 31 December 2021. The increase was mainly due to increase in demand from customers of advertisement distribution services.

Cost of services

Our cost of services increased by approximately RMB75.7 million or 25.2%, from approximately RMB300.8 million for the year ended 31 December 2020 to approximately RMB376.5 million for the year ended 31 December 2021. This increase was in line with the increase in revenue generated from provision of mobile advertising solutions service for the corresponding period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB16.8 million or 21.9%, from approximately RMB76.9 million for the year ended 31 December 2020 to approximately RMB93.7 million for the year ended 31 December 2021 due to increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin slightly decreased, being approximately 20.4% and 19.9% for the years ended 31 December 2020 and 2021, respectively.

Other net income

Our other net income increased by approximately RMB0.1 million or 2.0%, from approximately RMB4.6 million for the year ended 31 December 2020 to approximately RMB4.7 million for the year ended 31 December 2021, and remained relatively stable.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.9 million or 30.9%, from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.9 million for the year ended 31 December 2021. This increase was primarily due to the relatively low base for our employee benefit expenses where partial exemption to the contributions to social insurance by the PRC government from February to December 2020 due to COVID-19 pandemic was no longer available for the year ended 31 December 2021 and increase in number of sales staff of our sales and marketing department and the increase in entertainment expenses.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB1.8 million or 8.1%, from approximately RMB22.1 million for the year ended 31 December 2020 to approximately RMB23.9 million for the year ended 31 December 2021. This increase was primarily due to increase in professionals in connection with the Listing, and increase in employee benefit expenses as the one-off partial exemption to the contributions to social insurance by the PRC government in 2020 due to COVID-19, which is no longer available in 2021, being partially offset by decrease in research and development expenses with cessation of third-party software development service for the self-developed platform which was completed in the second quarter in 2021.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables increased by approximately RMB6.0 million or 345.8%, from approximately RMB1.7 million for the year ended 31 December 2020 to approximately RMB7.7 million for the year ended 31 December 2021. This increase was mainly attributable to increase in aged balance of trade and other receivables.

Finance costs

Our finance costs increased by approximately RMB0.2 million or 7.1%, from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.2 million for the year ended 31 December 2021, and remained relatively stable.

Income tax

Our income tax increased by approximately RMB0.3 million or 14.7%, from approximately RMB1.9 million for the year ended 31 December 2020 to approximately RMB2.2 million for the year ended 31 December 2021 mainly as a result of increase in taxable income for the year ended 31 December 2021. Our effective tax rate remained stable at approximately 3.7% for the years ended 31 December 2020 and 2021.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB7.7 million or 15.5%, from approximately RMB49.8 million for the year ended 31 December 2020 to approximately RMB57.5 million for the year ended 31 December 2021. Our net profit margin decreased slightly from approximately 13.2% for the year ended 31 December 2020 to approximately 12.2% for the year ended 31 December 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we principally financed our working capital and other liquidity requirements mainly through a combination of cash generated from our operating activities, and bank and other loans. Our cash and cash equivalents amounted to approximately RMB25.9 million, RMB55.9 million, RMB59.2 million and RMB14.6 million as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively.

Our principal uses of cash have been, and are expected to continue to be, the funding of required working capital, in particular for purchasing of advertising space from media partners and labour cost, and other recurring expenses to support the expansion of our operations.

The following table is a summary of our consolidated cash flow statements for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating cash flows before movements in working capital	57,782	72,398	79,667	48,577	59,588
Changes in working capital	(71,479)	(28,727)	(64,375)	(34,792)	(115,714)
Income tax paid	(610)	(426)	(768)	(756)	(1,265)
Net cash (used in)/generated from operating activities	(14,307)	43,245	14,524	13,029	(57,391)
Net cash generated from/(used in) investing activities	388	(155)	(24)	(37)	(132)
Net cash generated from/(used in) financing activities	3,804	(13,077)	(11,207)	(14,924)	12,965
Net (decrease)/increase in cash and cash equivalents	(10,115)	30,013	3,293	(1,932)	(44,558)
Cash and cash equivalents at the beginning of the year/period	36,016	25,896	55,908	55,908	59,195
Effect of foreign exchange rate changes	(5)	(1)	(6)	(7)	(2)
Cash and cash equivalents at the end of the year/period	25,896	55,908	59,195	53,969	14,635

Net cash (used in)/generated from operating activities

We derive our cash inflow from operating activities primarily through provision of mobile advertising solutions services. Cash outflow from operating activities primarily comprises traffic acquisition costs, employee benefit expenses, research and development expenses, professional fees and other operating expenses. Our cashflow from operating activities reflects our profit before income tax, adjusted for non-cash or non-operating items, such as impairment losses on trade and other receivables, depreciation, finance costs, interest income from third parties, net loss on disposal of property and equipment, and changes in working capital, including changes in trade and other receivables, trade and other payables, restricted bank deposit, contract liabilities as well as deferred income.

Our net cash used in operating activities was approximately RMB57.4 million for the nine months ended 30 September 2023. This net cash outflow was primarily attributable to our profit before income tax of approximately RMB50.5 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB6.1 million, depreciation of approximately RMB1.6 million and finance costs of approximately RMB1.4 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB118.7 million, which was mainly attributable to the increase in prepayments to suppliers; (b) changes in trade and other payables of approximately RMB4.4 million; and (c) changes in contract liabilities of approximately RMB7.4 million; and (iii) income tax paid of approximately RMB1.3 million. We plan to improve our net operating cash flow position in view of potential net operating cash inflows which we expect to generate. See "Liquidity and capital resources — Trade and other receivables" in this section for information on prepayments to suppliers. As our business develops, we expect to improve our negative cash flow position from our operations by generating more net cash from our operating activities, and improving our cost control and operating efficiencies. For details of our future plans on business development, see "Business — Strategies and future plans" in this prospectus. We would adopt enhanced measures to more effectively control our cost and operating expenses leveraging our economies of scale. Moreover, we would optimise our liquidity to gain a better return for our Shareholders and maintain adequate risk control. We would more closely monitor and manage the settlement of our trade receivables, with active and regular communication between our sales department and our customers on the settlement dates and assessment of appropriate course of action with our legal team which will take appropriate legal actions if necessary, to avoid credit losses. We would also more closely monitor the settlement of our trade payables to achieve better cash flow position. Enhanced credit assessments by our sales and marketing department on our new customers would also be conducted, based on our established customer credit assessment criteria, including, among others, the potential customer's reputation, their client base, existing liability condition, financial and other background information.

Our net cash generated from operating activities was approximately RMB14.5 million for the year ended 31 December 2022. This net cash inflow was primarily attributable to our profit before income tax of approximately RMB71.0 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included depreciation of approximately RMB1.9 million, and finance costs of approximately RMB1.6 million; (ii) changes in working capital, which primarily comprised of (a) changes in trade and other receivables of approximately RMB39.1 million; (b) changes in trade and other payables of approximately RMB15.5 million; and (c) changes in contract liabilities of approximately RMB9.7 million; and (iii) income tax paid of approximately RMB0.8 million.

Our net cash generated from operating activities was approximately RMB43.2 million for the year ended 31 December 2021. This net cash inflow was primarily attributable to our profit before income tax of approximately RMB59.7 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB7.7 million, depreciation of approximately RMB1.9 million, and finance costs of approximately RMB3.2 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB54.6 million; (b) changes in trade and other payables of approximately RMB22.7 million; and (c) changes in contract liabilities of approximately RMB3.1 million; and (iii) income tax paid of approximately RMB0.4 million.

Our net cash used in operating activities was approximately RMB14.3 million for the year ended 31 December 2020. This net cash outflow was primarily attributable to our profit before income tax of approximately RMB51.7 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB1.7 million, depreciation of approximately RMB1.6 million, finance costs of approximately RMB3.0 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB37.5 million; (b) changes in trade and other payables of approximately RMB29.5 million; and (c) changes in contract liabilities of approximately RMB4.4 million; and (iii) income tax paid of approximately RMB0.6 million.

Net cash generated from/(used in) investing activities

Our cash used in investing activities mainly reflects our cash used in purchase of property and equipment and loans to third parties. Our cash generated from investing activities mainly comprises of proceeds from repayment of loans from third parties and interest received from third parties.

Our net cash used in investing activities was approximately RMB132,000 for the nine months ended 30 September 2023. This net cash outflow was primarily attributable to payment for the purchase of property and equipment of approximately RMB132,000.

Our net cash used in investing activities was approximately RMB24,000 for the year ended 31 December 2022. This net cash outflow was primarily attributable to purchase of property and equipment of approximately RMB38,000 offset by proceeds from sale of property and equipment of approximately RMB14,000.

Our net cash used in investing activities was approximately RMB0.2 million for the year ended 31 December 2021. This net cash outflow was primarily attributable to (i) loans to third parties of approximately RMB44.0 million, and (ii) purchase of property and equipment of approximately RMB0.4 million. This net cash outflow was offset by (i) repayment of loans from third parties of approximately RMB44.0 million, and (ii) interest received from third parties of approximately RMB0.2 million.

Our net cash generated from investing activities was approximately RMB0.4 million for the year ended 31 December 2020. This net cash inflow was primarily due to (i) repayment of loans from third parties of approximately RMB94.7 million, and (ii) interest received from third parties of approximately RMB0.1 million. This net cash inflow was offset by (i) loans to third parties of approximately RMB94.2 million, and (ii) purchase of property and equipment of approximately RMB0.2 million.

Net cash generated from/(used in) financing activities

Our cash inflow from financing activities mainly comprises borrowings. Our cash outflow in financing activities primarily for repayments of borrowings, interest payment, transaction fee payment and capital element of lease rentals paid. Our proceeds from bank and other loans include our loans from banks, non-financial institutions and shareholders during the relevant year/period. Our repayments of bank and other loans include our repayment of loans to banks, non-financial institutions and shareholders during the relevant year/period. For more information, see "Indebtedness — Bank and other loans" and "Related party transactions — (b) Related party balances and transactions" in this section and "Business — Legal proceedings and compliance — Borrowings from non-financial institutions and lending to corporates during the Track Record Period" in this prospectus.

Our net cash generated from financing activities was approximately RMB13.0 million for the nine months ended 30 September 2023. This net cash inflow was primarily attributable to proceeds from bank and other loans of approximately RMB31.8 million being set off by (i) repayment of bank and other loans of approximately RMB14.7 million, (ii) capital element of lease rentals paid of approximately RMB1.7 million, (iii) interest paid of approximately RMB1.2 million and (iv) listing expenses paid of approximately RMB1.2 million.

Our net cash used in financing activities was approximately RMB11.2 million for the year ended 31 December 2022. This net cash outflow was primarily due to (i) repayments of bank and other loans of approximately RMB35.5 million; (ii) capital element of lease rentals paid of approximately RMB1.9 million; (iii) interest paid of approximately RMB1.2 million; and (iv) listing expenses paid of approximately RMB1.1 million. This net cash outflow was partially offset by proceeds from bank and other loans of approximately RMB28.6 million.

Our net cash used in financing activities was approximately RMB13.1 million for the year ended 31 December 2021. This net cash outflow was primarily due to (i) repayments of bank and other loans of approximately RMB137.7 million; (ii) capital element of lease rentals paid of approximately RMB1.4 million; (iii) interest paid of approximately RMB2.0 million; (iv) transaction fees paid of approximately RMB1.2 million; and (v) listing expenses paid of approximately RMB0.7 million. This net cash outflow was partially offset by proceeds from bank and other loans of approximately RMB129.9 million.

Our net cash generated from financing activities was approximately RMB3.8 million for the year ended 31 December 2020. This net cash inflow was primarily attributable to proceeds from bank and other loans of approximately RMB102.1 million, and partially offset by (i) repayments of bank and other loans of approximately RMB94.2 million; (ii) capital element of lease rentals paid of approximately RMB1.4 million; (iii) interest paid of approximately RMB2.2 million; and (iv) transaction fees paid of approximately RMB0.5 million.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our proceeds from bank and other loans amounted to approximately RMB102.1 million, RMB129.9 million, RMB28.6 million, RMB13.6 million and RMB31.8 million, respectively. During the Track Record Period, we obtained loans from banks, non-financial institutions and shareholders for use as our general working capital and to meet our short term financial needs. There was a time lag between the purchase of advertising space from media partners and the receipt of payment from customers and some of our media partners require our prepayment for acquisition of advertising space. See "Business — Working capital cycle" in this prospectus and "Major components of consolidated statements of financial position — Trade and other receivables" in this section. Moreover, our customers may have delay in settlement of our invoices. In 2020 and 2021, Customer D generally took longer time to settle invoices due to its internal procedures on settlements. As at 31 December 2020 and 2021, our trade receivables from Customer D amounted to approximately RMB75.3 million and RMB29.8 million, respectively. As at 31 December 2021, our trade receivables from Customer I amounted to approximately RMB57.8 million. To meet our financial needs, we had borrowings from banks, non-financial institutions and shareholders from time to time. Thus, the amounts of proceeds from bank and other loans for the years ended 31 December 2020 and 2021 were significant.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our repayment of bank and other loans amounted to approximately RMB94.2 million, RMB137.7 million, RMB35.5 million, RMB25.5 million and RMB14.7 million, respectively. These fluctuations were in line with the amounts of our proceeds from bank and other loans given that our Group's borrowings were all short-term borrowings.

MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net current assets

The following table sets forth the details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current Assets					
Trade and other receivables	355,262	404,014	439,893	554,796	507,033
Restricted bank deposit	423	—	5	7	7
Cash and cash equivalents	25,896	55,908	59,195	14,635	76,846
Total current assets	381,581	459,922	499,093	569,438	583,886
Current Liabilities					
Trade and other payables	82,750	106,799	92,190	88,721	91,324
Contract liabilities	12,996	16,136	6,394	13,768	4,998
Bank and other loans	47,684	39,876	33,180	50,460	57,500
Lease liabilities	647	1,607	2,282	1,162	575
Income tax payable	2,150	4,074	5,756	6,371	4,789
Deferred income	423	—	—	—	—
Total current liabilities	146,650	168,492	139,802	160,482	159,186
Net current assets	234,931	291,430	359,291	408,956	424,700
Net assets	236,057	293,544	361,774	410,854	425,692

Our net current assets increased from approximately RMB234.9 million as at 31 December 2020 to approximately RMB291.4 million as at 31 December 2021 primarily due to increase in current assets, mainly attributable to increase in trade and other receivables, being partially offset by increase in current liabilities, mainly attributable to increase in trade and other payables. It further increased to approximately RMB359.3 million as at 31 December 2022, primarily due to decrease in current liabilities mainly attributable to decrease in bank and other loans and contract liabilities, and increase in current assets, mainly attributable to increase in trade and other receivables. As at 30 September 2023, our net currents assets increased to approximately RMB409.0 million. Such increase was mainly attributable to the increase in current assets (which was mainly due to the increase in trade and other receivables), being partially offset by the increase in current liabilities (which was mainly due to increase in contract liabilities and bank and other loans). Our net current assets further increased to approximately RMB424.7 million as at 31 December 2023. Such increase was mainly attributable to the increase in current assets (which was mainly due to increase in cash and cash equivalents) coupled with the decrease in current liabilities (which was mainly due to decrease in contract liabilities).

Our net assets increased from approximately RMB236.1 million as at 31 December 2020 to approximately BM293.5 million as at 31 December 2021, primarily attributable to our profit for the year of approximately RMB57.5 million in 2021. As at 31 December 2022, our net assets increased to approximately RMB361.8 million, primarily attributable to our profit for the year of approximately RMB68.3 million. As at 30 September 2023, we recorded net assets of approximately RMB410.9 million and the increase was mainly attributable to profit for the period of approximately RMB48.9 million.

Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as at the respective dates indicated:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	176,066	183,034	157,833	168,389
Prepayments to suppliers	146,726	179,316	251,084	334,508
Deposits paid to media partners	20,944	22,478	10,024	7,810
Deductible input VAT	4,966	5,848	7,297	6,478
Listing expenses to be capitalised	—	2,617	3,982	6,649
Rebates due from media partners	5,136	9,627	8,001	26,689
Amounts due from shareholder	82	82	123	123
Other deposits	879	876	1,097	3,121
Others	463	136	452	1,029
	355,262	404,014	439,893	554,796

Our trade and other receivables mainly comprised of trade receivables, prepayments to suppliers, and deposits paid to media partners.

Our trade and other receivables increased from approximately RMB355.3 million as at 31 December 2020 to approximately RMB404.0 million as at 31 December 2021, to approximately RMB439.9 million as at 31 December 2022 and further to approximately RMB554.8 million as at 30 September 2023, mainly due to increase in prepayments to suppliers.

Our trade receivables increased from approximately RMB176.1 million as at 31 December 2020 to approximately RMB183.0 million as at 31 December 2021 which was mainly attributable to Customer I of approximately RMB57.8 million. Our trade receivables decreased to approximately RMB157.8 million as at 31 December 2022 as we adopted a series of tightened internal control measures to manage our working capital and liquidity position. Our trade receivables increased to approximately RMB168.4 million as at 30 September 2023 which was in line with the increase in revenue.

Deposits paid to media partners represent the amount we paid to media partners as refundable deposits, and such amount could not be used to set off the traffic acquisition costs unless otherwise as agreed between our Group and the media partners. Deposits paid to media partners amounted to approximately RMB20.9 million, being approximately 5.5% of our total assets, as at 31 December 2020. It decreased from approximately RMB22.5 million, being approximately 4.8% of our total assets, as at 31 December 2021 to approximately RMB10.0 million, being approximately 2.0% of our total assets, as at 31 December 2022. It further decreased to approximately RMB7.8 million, being approximately 1.4% of our total assets, as at 30 September 2023. Such decrease was mainly attributable to the decrease of deposits placed to Supplier A as our Group reduced the purchase of advertising space from them. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the refunds of deposits from media partners to our Group amounted to approximately RMB49.3 million, RMB12.6 million, RMB12.6 million and RMB9.5 million, respectively.

The following table sets forth the ageing analysis of trade receivables, based on invoice date and net of loss allowance, as at the respective dates indicated:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	151,502	153,321	143,160	121,300
6 months to 12 months	20,768	18,544	11,496	41,756
12 months to 24 months	3,796	11,169	3,177	5,333
More than 24 months	—	—	—	—
	176,066	183,034	157,833	168,389

As at 31 December 2023 and the Latest Practicable Date, approximately RMB97.6 million and RMB101.7 million (being approximately 57.9% and 60.4%) of the trade receivables as at 30 September 2023 was subsequently settled, respectively. Our Group's expected loss rate of ageing of trade receivables from 12 months to 24 months was approximately 6.9%, 13.9%, 22.1% and 30.2% as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Such increase in expected loss rate from 31 December 2020 to 31 December 2021 was mainly attributable to trade receivables from Customer D which generally took longer time to settle invoices due to its internal procedures on settlement. The increase in expected loss rate from 31 December 2021 to 30 September 2023 was mainly attributable to trade receivables from an advertising agent for our mobile advertising solutions services.

Ageing of our trade receivables from 6 months to 12 months increased from approximately RMB11.5 million as at 31 December 2022 to approximately RMB41.8 million as at 30 September 2023. Such increase was mainly attributable to trade receivables of the customers of our mobile advertising solutions services.

The following table sets forth our average trade receivable turnover days for the respective years/period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Average trade receivable turnover days *(Note)*	71	83	75	59

Note: Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by gross billing for that year, multiplied by 365, 365, 365 days and 273 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

We generally granted a credit period of 0 to 90 days from the date of invoice to our customers during the Track Record Period. The average trade receivable turnover days was calculated based on average of the beginning and closing trade receivable balances for the year/period, divided by gross billing for the year/period, multiplied by the number of days of the year/period.

For our major customers, we usually grant them a credit period of 0 to 90 days, and we are generally required to pay the traffic acquisition costs to acquire advertising space on their behalf prior to delivery of our mobile advertising services. We issue monthly traffic usage reports to them for their checking and confirmation.

The average trade receivable turnover days increased from approximately 71 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021, and decreased to approximately 75 days for the year ended 31 December 2022 and further decreased to approximately 59 days for the nine months ended 30 September 2023. The increase in average trade receivable turnover days for the year ended 31 December 2021 was primarily due to trade receivables arising from Customer I whereas the decrease for the year ended 31 December 2022 and the nine months ended 30 September 2023 was mainly due to adoption of a series of tightened internal control measures to manage our working capital and liquidity position.

Prepayments to suppliers

Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It included the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers. It also included the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. Prepayments to suppliers are crucial to our operations and business expansion, as prepayments are generally required by media partners, such as Alibaba Group, Supplier C, Supplier F and Supplier I, for business cooperation with them, and such platforms are usually preferred and chosen by customers for placement of mobile ads. As a normal and usual course of our business arrangements with customers for our advertisement distribution services, we make prepayments to media partners on behalf of our customers before receiving payments from them. In this regard, we recognise a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and we access the credit risks and makes provisions to the prepayment for suppliers. Our prepayments to suppliers increased from approximately RMB146.7 million as at 31 December 2020 to approximately RMB179.3 million as at 31 December 2021, to approximately RMB251.1 million as at 31 December 2022 mainly attributable to prepayment to suppliers of our advertisement distribution services to meet the expected advertising needs. Our prepayments to suppliers increased further to approximately RMB334.5 million as at 30 September 2023 mainly attributable to (i) the increase in demand from Customer M for placement of mobile ads on short video platforms and (ii) the increase in our traffic acquisition costs paid on behalf of customers for advertisement distribution services to meet their expected advertising needs with reference to the customers' marketing plans and schedules.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our average prepayment turnover days (calculated as the average of the opening and closing balances of prepayments to suppliers divided by gross billing and multiplied by the number of days of the relevant years) were approximately 95 days, 75 days, 94 days and 106 days, respectively. The decrease in prepayment turnover days for the year ended 31 December 2021 was mainly attributable to increase in prepayment to media platforms arising from increase in demand of our mobile advertising solutions services from Customer L and another customer. The increase in prepayment turnover days for the year ended 31 December 2022 was mainly attributable to increase in prepayment on media platforms arising from increase in demand of our mobile advertising solutions services from 2 customers. The increase in prepayment turnover days for the nine months ended 30 September 2023 was mainly attributable to increase in prepayments to our suppliers, which is mainly due to the increase in our prepayments required by Supplier C for acquisition of advertising space, coupled with the decrease in gross billing. The increased turnover days recorded for the nine months ended 30 September 2023 was mainly due to the generally lower settlement recorded in the second and third quarters in 2023.

The following table sets forth the ageing analysis of prepayments to our suppliers as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	90,954	148,987	219,011	264,251
6 months to 12 months	43,257	15,065	31,736	65,641
12 months to 24 months	12,000	9,964	304	4,616
More than 24 months	515	5,300	33	—
	146,726	179,316	251,084	334,508

As at 30 September 2023, approximately RMB146.7 million, RMB179.3 million and RMB213.2 million (being approximately 100.0%, 100.0% and 84.9%) of the prepayments to suppliers as at 31 December 2020, 2021 and 2022 have been subsequently settled or utilised, respectively. As at 31 December 2023 and the Latest Practicable Date, approximately RMB160.5 million and RMB162.2 million (being approximately 47.9% and 48.5%) of prepayments to suppliers as at 30 September 2023 was subsequently settled or utilised, respectively. The prepayments to our suppliers amounted to approximately RMB334.5 million as at 30 September 2023, comprising (i) the traffic acquisition costs paid to media partners on behalf of our customers for advertisement distribution services of approximately RMB245.4 million, of which approximately RMB102.8 million were subsequently settled as at the Latest Practicable Date, and (ii) the prepayments required by suppliers for acquisition of advertising space of approximately RMB89.1 million, of which approximately RMB59.4 million were subsequently utilised as at the Latest Practicable Date.

Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It primarily included (i) the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers and (ii) the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. As at 31 December 2020, 2021 and 2022 and 30 September 2023, (i) the traffic acquisition cost paid to media partners by our Group in relation to our advertisement distribution services amounted to approximately RMB121.6 million, RMB94.1 million, RMB201.7 million and RMB245.4 million, respectively; and (ii) the prepayments required by suppliers for acquisition of advertising space amounted to approximately RMB25.1 million, RMB85.2 million, RMB49.4 million and RMB89.1 million, respectively. We recorded an increase in ageing of our prepayments to suppliers (i) from 6 months to 12 months from approximately RMB31.7 million as at 31 December 2022 to approximately RMB65.6 million as at 30 September 2023 and (ii) from 12 moths to 24 months from approximately RMB0.3 million as at 31 December 2022 to RMB4.6 million as at 30 September 2023. Such increase was mainly attributable to the delay in settlement by the customers for traffic acquisition cost paid by our Group on their behalf to media partners for advertisement distribution services, in particular a direct advertiser customer which was engaged in the gaming industry has delayed its payment to our Group as such customer was restructuring its business due to change of its shareholders. In view of the long payment cycle of such direct advertiser, we have reduced our transactions with such customer in 2023 and such customer has agreed to settle our outstanding invoices by the end of April 2024. In view of long payment cycle of some customers, our finance department and our sales and marketing department would closely monitor the collection status and would actively communicate with our customers on the settlement dates and would send payment reminders to our customers. As demonstrated by the ageing analysis above, the issue of long payment cycle has been improving since 31 December 2021 and prepayments to suppliers over 24 months old were all cleared as at 30 September 2023. The majority of the prepayments to suppliers of our Group aged less than 6 months as at 30 September 2023 and mirrors our increase in revenue during the Track Record Period.

Therefore, our Directors believe that there is no material recoverability risk inherent in our outstanding balance of trade receivables and prepayments to suppliers and sufficient provision has been made in accordance to applicable accounting rule for trade receivables and prepayments to suppliers as at 30 September 2023. In order to minimise the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We perform periodic impairment assessment on trade receivables. Trade receivables are grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for customers and adjusted by forward-looking information. See "Business — Working capital cycle — Capital and liquidity management policy" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, except for Customer I, we had not experienced any material default. As at the Latest Practicable Date, to the best of our Directors' knowledge, we were not aware of any material outstanding balance of trade receivables and prepayments to suppliers that is expected to be unrecoverable. Upon careful assessment of the credit risk and the recoverability of the outstanding receivables, our Directors believe that there is no material credit risk and material issue on recoverability and sufficient provision has been made as at 30 September 2023.

Rebates due from media partners

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the rebates due from media partners amounted to approximately RMB5.1 million, RMB9.6 million, RMB8.0 million and RMB26.7 million, respectively. The increase in rebates from media partners as at 30 September 2023 was mainly attributable to the strong marketing demand of Customer M for placement of mobile ads on media platforms operated by Supplier C and, to the best knowledge and belief of our Directors, such rebates would generally be settled by our media partners in the first quarter in 2024.

Factoring arrangements

In 2020, we entered into factoring arrangements without recourse between us and a PRC financial institution (the "**Financial Institution A**"), pursuant to which we can from time to time factor the trade receivables arising from Customer D to the Financial Institution A. The Financial institution A is a commercial bank in the PRC and to the best knowledge of our Directors, the Financial Institution A is an Independent Third Party. Under such arrangements, the Financial Institution A purchased our trade receivables by cash after confirming the validity of the trade receivables, and the trade receivables from Customer D originally owed to us will be settled to the Financial Institution A. Under such arrangements, the risk of non-payment or delay in payment by Customer D of the trade receivables factored shall be borne by the Financial Institution A and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position. There was no associated liabilities recognised under the factoring arrangements. During the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (i) the total trade receivables with Customer D factored under the relevant arrangements amounted to approximately RMB24.1 million, RMB28.9 million, nil and nil, respectively, (ii) the total interest incurred on factoring arrangements amounted to approximately RMB50,000, RMB54,000, nil and nil, respectively, and (iii) the interest rate was 4%, 3.25%, nil and nil, respectively, which was based on 1-year loan prime rate (LPR) under the factoring arrangements, and the interest rates were comparable to our bank borrowings.

In September 2022, we entered into a factoring arrangement without recourse between us and a PRC financial institution (the "**Financial Institution B**"), pursuant to which we can from time to time factor the trade receivables arising from Customer A to the Financial Institution B. The Financial Institution B is an affiliate of Customer A and to the best knowledge of our Directors, the Financial Institution B is an Independent Third Party. Under such arrangements, the Financial Institution B purchased our trade receivables by cash after confirming the validity of the trade receivables, and the trade receivables from Customer A originally owed to us will be settled to the Financial Institution B. Under such arrangements, the risk of non-payment or delay in payment by Customer A of the trade receivables factored shall be borne by the Financial Institution B and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position. The factoring arrangement was entered by our Group in September 2022 and no trade receivables with Customer A has been factored under the factoring arrangement during the Track Record Period and up to the Latest Practicable Date.

In November 2022, we entered into a factoring agreement without recourse with a PRC financial institution (the "**Financial Institution C**"), which is an Independent Third Party and independent of Customer I, pursuant to which we factored all of the outstanding trade receivables of approximately RMB48.3 million arising from Customer I without recourse to Financial Institution C. Under such arrangement, Financial Institution C purchased our trade receivables at a discount rate of 8% (i.e. at a consideration of approximately RMB44.5 million) by cash, and the trade receivables from Customer I originally owed to us will be settled to Financial Institution C. Under such arrangement, the risk of non-payment or delay in payment by Customer I of the trade receivables factored shall be borne by the Financial Institution C and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position and effectively manage and reduce our risks arising from long and large trade receivables from Customer I. As at the Latest Practicable Date, our Group has received all the factored sum from Financial Institution C under such factoring arrangement and there is no outstanding payment which is payable by Customer I nor Financial Institution C to our Group. There was no associated liabilities recognised under the factoring arrangements. The amount of impairment in respect of the outstanding balance due from Customer I as at 31 December 2021 was approximately RMB1.9 million. After having reviewed the payment history of Customer I and having assessed the credit risk, our Group has not conducted any business with Customer I from the year ended 31 December 2022 and up to the Latest Practicable Date.

According to the iResearch Report, trade receivables factoring is a source of financing that mobile advertising service providers may enter into by selling their unpaid invoices to factoring companies for cash and risk transfer based on their debt financing plans and business strategies; and factoring of trade receivables, particularly receivables from sizable media publishers, is a common practice in the mobile advertising industry. In view of the benefits of factoring arrangements, we intend to expand the factoring arrangements to other customers as and when it is possible.

Restricted bank deposits

Our restricted bank deposits amounted to approximately RMB423,000, nil, RMB5,000 and RMB7,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Our restricted bank deposits refers to amounts deposited in a designated bank account for discount interest from subsidy rewards (貼息獎勵) issued under the Beijing Cultural and Creative Industry Investment Loan Award Discount Reward* (北京市文化創意產業投貸獎) (the "**Reward**") and is applied for and issued to us for use upon approval of the relevant authorities on an annual basis. The decrease from 31 December 2020 to 31 December 2021 was mainly due to the full utilisation of the Reward. The deposits of RMB5,000 as at 31 December 2022 was the minimum deposit maintained at our bank. The deposits of RMB7,000 as at 30 September 2023 was bank deposit at an account which restricts withdrawal in connection to a bank loan.

Trade and other payables

Our trade and other payables primarily consisted of trade payables and cost payable to media partners on behalf of customers. Our trade and other payables amounted to approximately RMB82.8 million as at 31 December 2020, comprising mainly trade payables, cost payable to media partners on behalf of customers and customers deposits for our advertisement distribution services who required us to make prepayment of traffic acquisition costs to media platforms on their behalf. Our trade and other payables increased to approximately RMB106.8 million as at 31 December 2021 mainly due to increase in trade payables due to our business expansion in connection with purchase of advertising space and the increase in listing expenses payable. Our trade and other payables decreased to approximately RMB92.2 million as at 31 December 2022 mainly due to decrease in cost payable to media partners on behalf of customers, being partially offset by increase in other taxes and levies payable, staff cost payables and listing expenses payable. Our trade and other payables decreased to approximately RMB88.7 million as at 30 September 2023 mainly due to decrease in trade payables and staff cost payables.

Cost payable to media partners on behalf of customers represents the traffic acquisition costs to be paid by us before we received payments from our advertisement distribution services customers. The cost payable to media partners on behalf of customers amounted to approximately RMB31.8 million as at 31 December 2020. It decreased from approximately RMB28.6 million as at 31 December 2021 to approximately RMB10.6 million as at 31 December 2022 which was in line with decreasing number of customers for our advertisement distribution services attributable to our effort to serve customers for our advertisement distribution services with greater advertising needs. Our cost payable to media partners on behalf of customers increased to approximately RMB19.7 million as at 30 September 2023. Such increase was in line with our increase in prepayments to suppliers and was mainly attributable to the relatively longer payment cycle of certain customers for our advertisement distribution services, which were primarily advertising agents with established business relationship with our Group. The following table sets forth the breakdown of our trade and other payables as at the respective dates indicated:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,446	46,377	44,478	25,424
Cost payable to media partners on behalf of customers	31,826	28,570	10,559	19,724
Other taxes and levies payables	10,193	9,950	12,916	15,083
Staff cost payables	5,193	7,932	8,529	6,434
Customers deposits	6,689	4,067	2,700	2,260
Interest payable	48	126	127	127
Listing expenses payable	—	7,391	11,372	17,346
Amounts due to directors	30	866	9	9
Other current liabilities	780	968	384	826
Other payables	545	552	1,116	1,488
	82,750	106,799	92,190	88,721

In general, our suppliers grant us a credit period of within 90 days after placement of ads. The following table sets forth the ageing analysis of our trade payables based on date of purchase as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	24,813	36,243	29,196	9,350
3 to 6 months	1,947	10,033	12,042	—
6 months to 1 year	663	26	3,240	16,030
1 to 2 years	23	61	—	44
2 to 3 years	—	14	—	—
	27,446	46,377	44,478	25,424

The following table sets forth our average trade payable turnover days for the respective years/ period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	2021	2022	2023
Average trade payable turnover days *(Note)*	17	20	23	14

Note: Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the traffic acquisition costs on gross basis for that year, multiplied by 365, 365, 365 and 273 days for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

Our average trade payable turnover days increased from 17 days for the year ended 31 December 2020 to 20 days for the year ended 31 December 2021 and further to 23 days for the year ended 31 December 2022, mainly due to addition of new suppliers, such as Supplier H for the year ended 31 December 2021, which offers us a longer credit period of 90 days. It decreased to 14 days for the nine months ended 30 September 2023 as prepayments to suppliers made up a higher portion of cost of services for the nine months ended 30 September 2023 and some trade payables, such as that of Supplier A, were settled during the same period.

As at 31 December 2023 and the Latest Practicable Date, approximately RMB25.4 million and RMB25.4 million (being approximately 100.0% and 100.0%) of the trade payables as at 30 September 2023 was subsequently settled, respectively.

Contract liabilities

Contract liabilities represents advance payments from our customers for our mobile advertising services while the underlying services have not been provided then. As at 31 December 2020, 2021 and 31 December 2022 and 30 September 2023, our contract liabilities amounted to approximately RMB13.0 million, RMB16.1 million, RMB6.4 million and RMB13.8 million, respectively. Such amount fluctuates in line with the revenue generated from these customers who make advance payments.

As at 31 December 2023, approximately RMB10.0 million (being approximately 72.4%) of the contract liabilities as at 30 September 2023 was subsequently recognised as revenue.

Impact of COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected the Chinese and global economy. In response to COVID-19, including the PRC government has imposed various measures to control the spread. These measures have caused a decline in certain business activities in the country. See "Business — Impact of outbreak of COVID-19 on our business" in this prospectus.

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in China. The average daily time spent online by mobile users was 5.5 hours in China in 2022, approximately 3.4% more than that in 2021. The COVID-19 pandemic and the rapid development of mobile information technology are the two core reasons for this increase. It is expected by iResearch that there will be an increase in the average daily time spent online by mobile users because of the continuous escalation of mobile terminal equipment before a saturation point is gradually reached. The market size of mobile advertising industry in the PRC increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022, with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. See "Industry overview — Impact of COVID-19 to the internet market" in this prospectus. Our financial performance during the Track Record Period serves as a fine proof and we had continuous increase in our revenue, gross profit and net profit. Our revenue increased by approximately 24.5% from approximately RMB377.7 million for the year ended 31 December 2020 to approximately RMB470.2 million for the year ended 31 December 2021. It further increased by approximately 4.8% to approximately RMB492.6 million for the year ended 31 December 2022. Our gross profit increased by approximately 21.9% from approximately RMB76.9 million for the year ended 31 December 2020 to approximately RMB93.7 million for the year ended 31 December 2021. It further increased by approximately 10.0% to approximately RMB103.1 million for the year ended 31 December 2022. Our net profit increased by approximately 15.5% from approximately RMB49.8 million for the year ended 31 December 2020 to approximately RMB57.5 million for the year ended 31 December 2021. It further increased by approximately 18.8% to approximately RMB68.3 million for the year ended 31 December 2022. Our Directors consider that the resurgence of COVID-19 pandemic in early 2022 has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date.

China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. However, there remains uncertainties associated with COVID-19, including further actions that may be taken by the PRC government, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are uncertain and cannot be accurately predicted. See "Risk factors — Risks relating to our business and industry — We face risks related to natural disasters and health epidemics" and "Risk Factors — Risks relating to doing business in the PRC — The PRC's economic and social conditions and government policies, as well as the global economy, may continue to affect our business" in this prospectus.

RECENT DEVELOPMENT

See "Summary — Recent development" in this prospectus.

WORKING CAPITAL

We intend to continue to finance our working capital with cash generated from our operations, net proceeds from the Global Offering and/or bank borrowings. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our mobile advertising business. Our future working capital requirements will depend on a number of factors, including but not limited to, the expected capital expenditure and working capital requirements for the level of our operational costs such as traffic acquisition costs, staff costs and research and development expenses. See "Business — Working capital cycle" in this prospectus in connection with the cashflow mismatch in connection with the operating cashflow.

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including available bank borrowings, bank balances and cash, expected cash flows from our operations and the net proceeds from the Global Offering, we will have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

The Directors confirmed that there is no material adverse change in the financials or trading positions of our Group since 30 September 2023.

INDEBTEDNESS

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date for our indebtedness statement.

The table below sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current liabilities					
Bank and other loans	47,684	39,876	33,180	50,460	57,500
Lease liabilities	647	1,607	2,282	1,162	575
	48,331	41,483	35,462	51,622	58,075
Non-current liabilities					
Lease liabilities	58	2,071	572	—	—
	48,389	43,554	36,034	51,622	58,075

Bank and other loans

The following table sets forth our bank and other loans as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Bank loans					
— Guaranteed	35,674	34,616	15,780	15,960	20,000
— Unsecured	7,010	5,260	7,400	24,500	27,500
— Secured	—	—	10,000	10,000	10,000
Unsecured shareholder's loans	5,000	—	—	—	—
	47,684	39,876	33,180	50,460	57,500

Our bank and other loans are denominated in Renminbi. As at 31 December 2020, 2021 and 2022 and 30 September 2023 the effective annual weighted interest rates of our bank and other loans were 6.2%, 7.8%, 4.3% and 3.4%, respectively.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our bank and other loans amounted to approximately RMB47.7 million, RMB39.9 million, RMB33.2 million and RMB50.5 million, respectively. During the Track Record Period, we obtained bank loans and loans from shareholder for use as our general working capital to meet our financial needs because there was a time lag between the purchase of advertising space from media partners and the receipt of payment from customers and some of our media partners require our prepayment for acquisition of advertising space. See "Business — Working capital cycle" in this prospectus and "Major components of consolidated statements of financial position — Trade and other receivables" in this section. Moreover, our customers may have delay in settlement of our invoices. In 2020 and 2021, Customer D generally took longer time to settle invoices due to its internal procedures on settlement. As at 31 December 2020 and 2021, our trade receivables from Customer D amounted to approximately RMB75.3 million and RMB29.8 million, respectively. As at 31 December 2021, our trade receivables from Customer I amounted to approximately RMB57.8 million. To meet our financial needs, we had borrowings from banks non-financial institutions and shareholders from time to time. Thus, our Group had significant bank and other loans as at 31 December 2020 and 2021.

Bank loans consist of interest-bearing short-term loans from commercial banks. As at 31 December 2020, 2021 and 2022 and 30 September 2023, most of our bank loans with interest rate from 3.3% to 6.0% per annum, respectively, were guaranteed and/or secured. The guaranteed bank loans were guaranteed by Mr. Yu, Mr. Zhao and independent guarantee companies. Mr. Yu, Ms. Shu, Mr. Zhao and the former spouse of Mr. Zhao, pledged their assets to these guarantee companies as counter-guarantees. The lender of guaranteed bank loans and the independent guarantee company have agreed to release all the personal guarantees on the date our Group receives the approval of the Listing. The guarantees provided by them for our existing bank loans are expected to be replaced with guarantees provided by our Company prior to or upon Listing. Based on our Group's track record in renewing bank loans during the Track Record Period and the grant of new loans by the banks, our Directors believe that we will be able to obtain further bank loans or facilities from such banks or other banks based on similar arrangements without reliance on the Controlling Shareholders.

As at 31 December 2020, 2021 and 2022, all bank and the majority of other loans were fixed rate loans repayable within 1 year. As at 30 September 2023, other than bank loan of RMB10 million is of variable interest rate, all other bank and other loans were fixed rate loans repayable within 1 year.

As at the Latest Practicable Date, we had no unutilised banking facilities.

Other unsecured borrowings consist of short-term loans provided by non-financial institutions (including our customers and suppliers) which have been ceased as at the Latest Practicable Date. For the years ended 31 December 2020 and 2021, we obtained unsecured borrowings of principal amount ranging from RMB1.0 million to RMB20.0 million from 3 Independent Third Parties, including a company which is both our customers and suppliers, for terms ranging from 5 days to 1 year at fixed interest rates ranging from 7% to 12% per annum. For the years ended 31 December 2020 and 2021, we provided unsecured lending of principal amount ranging from RMB2.0 million to RMB30.0 million to 3 Independent Third Parties, including a company which is both our customer and supplier, for terms ranging from 1 day to 1 year at fixed interest rates ranging from 7% to 12% per annum. Our lending to these Independent Third Parties during the Track Record Period had no correlations and were not inter-conditional to any of our borrowings and/or business of our Group. As confirmed by our Directors, all these borrowings had been fully repaid in September 2021. See "Business — Legal proceedings and compliance — Borrowings from non-financial institutions and lending to corporates during the Track Record Period" in this prospectus. Despite we have terminated such transactions as at the Latest Practicable Date and were advised by our PRC Legal Adviser that the risk of being penalised is low, there is no assurance that we will not be charged for such historical non-compliance or will not be subject to any of such penalty. See "Risk factors — We may be subject to penalties as a result of private lending transactions with non-financial institutions during the Track Record Period, which constitute non-compliance under the PRC laws".

As at 31 December 2023 (being the latest practicable date for determining the indebtedness), we had bank and other loans of approximately RMB57.5 million.

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there is no material covenant related to our outstanding debts, guarantees or other contingent obligations that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that our Group had no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that there has been no material change in our indebtedness position since 31 December 2023, being the latest practicable date for the purpose of the indebtedness statement.

Lease liabilities

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our total lease liabilities were approximately RMB0.7 million, RMB3.7 million, RMB2.9 million and RMB1.2 million. The following table sets forth the lease liabilities repayable as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Within 1 year	647	1,607	2,282	1,162	575
After 1 year	58	2,071	572	—	—
	705	3,678	2,854	1,162	575

The increase in lease liabilities as at 31 December 2021 was mainly attributable to entering into a new lease agreement in the PRC with lease term through 30 April 2024. The decrease in lease liabilities as at 31 December 2022 and 30 September 2023 was mainly attributable to amortisation of lease.

Income tax payable

Our income tax payable amounted to approximately RMB2.2 million as at 31 December 2020 and increased to approximately RMB4.1 million as at 31 December 2021, which was mainly attributable to increase in provision for PRC income tax made for the year ended 31 December 2021. Our income tax payable increased to approximately RMB5.8 million as at 31 December 2022, and further to approximately RMB6.4 million as at 30 September 2023. and primarily reflecting an increase in our profit before tax.

CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 30 September 2023, we did not have any hire purchase commitments, material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

Our Directors confirm that there has not been any material change in our contingent liabilities since 30 September 2023 and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangement.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditure on property and equipment and right-of-use assets. The following table sets forth our capital expenditures for the years/period indicated:

	For the year end 31 December			For the nine months ended 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property and equipment	177	360	34	131
Right-of-use assets	436	4,341	1,039	—
Total	613	4,701	1,073	131

The right-of-use assets increased from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB4.3 million for the year ended 31 December 2021. Such increase was mainly attributable to new tenancy agreement of office premises entered in 2021. The right-of-use assets decreased to approximately RMB1.0 million for the year ended 31 December 2022 mainly due to amortisation of rent.

It is estimated that our capital expenditure for the year ended 31 December 2023 will be approximately RMB5.3 million. Such estimate represents the total capital expenditure we expect to incur based on our business strategies and plans, including purchase of property, plant and equipment and the enhancement and upgrading of the functions of our self-developed platform as stated in ''Future plan and use of proceeds — Use of proceeds'' in this prospectus. We may adjust our business strategies and plans and the estimated total capital expenditure may also change.

COMMITMENTS

Capital commitments

We did not have any material capital commitments as at 31 December 2020, 2021 and 2022 and 30 September 2023.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our material related party transactions during the Track Record Period:

(a) Key management personnel compensation

The following table sets out the remuneration for key management personnel of our Group, including amounts paid to the Directors, for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	1,927	1,902	1,982	1,152	1,794
Post-employment benefits	9	154	227	167	154
	1,936	2,056	2,209	1,319	1,948

Total remuneration is included in ''Directors' emoluments'' in this prospectus (see Note 8 of the Accountants' Report set out in Appendix I to this prospectus).

(b) Related party balances and transactions

The following table sets forth the non-trade balances we had with related parties as at the dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from related parties				
— Mr. Zhao	5,000	—	—	—
Other amounts due to related parties				
— Mr. Zhao	17	851	9	9
— Mr. Yu	13	15	—	—
	30	866	9	9
Amounts due from shareholder				
— Ka Lok BVI	82	82	123	123

All balances with these related parties are unsecured, interest-free and repayable on demand. The non-trade balances due to Mr. Zhao and due from Ka Lok BVI will be settled prior to the Listing.

The following table sets forth a summary of material related party transactions which, in the Directors' opinion, these transactions were carried out in the ordinary course of business for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loan received from related parties	7,000	2,000	—	—	—
Loan repaid to related parties	6,100	7,000	—	—	—
Interest expense	35	228	—	—	—
Advances from directors	9	836	112	112	—
Advances from directors repaid	—	—	969	969	—

For the years ended 31 December 2020 and 2021, we received loans from Mr. Yu, Mr. Zhao and Ms. Shu as part of our working capital. Our Directors confirm that these related party transactions of our Group were conducted in the normal course of business and were on arm's length basis. Our Directors have further confirmed that these related party transactions did not distort our results of operations of the Track Record Period or make our historical results not reflective of our future performance. For more information on related party transactions, see Note 21 to the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

The listing expenses primarily consist of professional fees, underwriting commission, and other fees and expenses in relation to the Listing and the Global Offering. The estimated total listing expenses for the Global Offering are approximately HK$53.9 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range and the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), representing 33.2% of the gross proceeds from the Global Offering. The estimated total listing expenses consist of (i) underwriting-related expenses of approximately HK$8.1 million, and (ii) non-underwriting-related expenses of approximately HK$45.8 million, including (a) fees and expenses of the Company's legal advisers and auditors and reporting accountants of approximately HK$32.1 million; and (b) other fees and expenses of approximately HK$13.7 million. For the years ended 31 December 2020, 2021, and 2022 and the nine months ended 30 September 2023, we incurred listing expenses of approximately HK$37.2 million, of which approximately HK$30.0 million was charged to our consolidated statements of comprehensive income for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and the remaining amount of approximately HK$7.2 million was included in other receivables and will be subsequently charged to equity. We estimate that listing expenses of approximately HK$16.7 million will be incurred upon Listing, of which approximately HK$4.5 million will be charged to the consolidated statement of comprehensive income for the year ended 31 December 2023, and approximately HK$12.2 million will be charged to equity.

SUMMARY OF FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods indicated and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	As at/For the year ended 31 December			As at/For the nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Current ratio[1]	2.6	2.7	3.6	3.5
Gearing ratio[2]	20.5%	14.8%	10.0%	12.6%
Interest coverage ratio (times)[3]	18.1	19.5	45.6	37.7
Return on total assets[4]	13.0%	12.4%	13.6%	11.4%
Return on equity[5]	21.1%	19.6%	18.9%	15.9%
Net profit margin[6]	13.2%	12.2%	13.9%	9.8%
Turnover growth[7]	(11.1)%	24.5%	4.8%	41.8%
Net profit growth[8]	1.5%	15.5%	18.8%	22.3%
Gross margin[9]	20.4%	19.9%	20.9%	15.5%
Quick ratio[10]	2.6 times	2.7 times	3.6 times	3.5 times
Debtors' turnover days (collection period)[11]	71 days	83 days	75 days	59 days
Creditors' turnover days (average payment period)[12]	17 days	20 days	23 days	14 days

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

2. Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year/period end and multiplied by 100%. For the purpose of this calculation, total debt includes bank and other loans and lease liabilities.

3. Interest coverage ratio is calculated by the profit before interest and tax divided by the finance costs as at the respective year/period end.

4. Return on total assets is calculated by the net profit for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.

5. Return on equity is calculated by the net profit attributable to owners of our Company for the year/period divided by the shareholders' equity as at the respective year/period end and multiplied by 100%.

6. Net profit margin is calculated by the net profit divided by the revenue for the respective year/period end and multiplied by 100%.

7. Turnover growth is calculated based on revenue for the year/period minus revenue for the previous year/period divided by revenue for the previous year/period multiplied by 100%.

8. Net profit growth is calculated based on net profit for the year/period minus net profit for the previous year/period divided by net profit for the previous year/period multiplied by 100%.

9. Gross margin is calculated based on gross profit divided by sales as at the respective year/period end multiplied by 100%.

10. Quick ratio is calculated based on current assets minus stock and divided by current liabilities as at the respective year/period end.

11. Debtors' turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by gross billing for that year, multiplied by 365, 365, 365 days and 273 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

12. Creditors' turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the traffic acquisition costs on gross basis for that year, multiplied by 365, 365, 365 and 273 days for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

Current ratio

Our current ratio increased from 2.6 as at 31 December 2020 to 2.7 as at 31 December 2021 and increased to 3.6 as at 31 December 2022 mainly due to decrease in bank and other loans and increase in trade and other receivables. It decreased slightly to approximately 3.5 as at 30 September 2023 and remained relatively stable.

Gearing ratio

Our gearing ratio decreased from 20.5% as at 31 December 2020 to 14.8% as at 31 December 2021 mainly due to decrease in shareholders' loans and increase in equity, being offset by the increase in lease liabilities. It further decreased to 10.0% as at 31 December 2022 as we repaid part of the bank borrowings. It remained relatively stable being approximately 12.6% as at 30 September 2023.

Interest coverage ratio

Our interest coverage increased from 18.1 times as at 31 December 2020 to approximately 19.5 times as at 31 December 2021 due to increase in profit before interest and tax. It further increased to 45.6 times as at 31 December 2022 due to the significant decrease in finance costs as we repaid part of the bank borrowings. It decreased to approximately 37.7 times as at 30 September 2023 due to decrease in profits before interest and tax.

Return on total assets

Our return on total assets decreased from 13.0% as at 31 December 2020 to 12.4% as at 31 December 2021, mainly due to increase in total assets being offset by increase in net profit. Our return on total assets increased to 13.6% as at 31 December 2022 mainly due to increase in net profits, being offset by increase in total assets. Our return on total assets further decreased to 11.4% as at 30 September 2023 mainly due to increase in total assets being offset by increase in net profit.

Return on equity

Our return on equity decreased from 21.1% as at 31 December 2020 to 19.6% as at 31 December 2021, which was mainly attributable to increase in total equity, arising from increased in retained earnings, being offset by increase in net profit. Our return on equity decreased slightly to 18.9% as at 31 December 2022 and 15.9% as at 30 September 2023 mainly due to increase in total equity being offset by increase in net profit.

Net profit margin

Our net profit margin decreased slightly from 13.2% for the year ended 31 December 2020 to 12.2% for the year ended 31 December 2021, and increased to 13.9% for the year ended 31 December 2022, which was mainly due to increase in other net income and decrease in impairment losses on trade and other receivables. It decreased to approximately 9.8% for the nine months ended 30 September 2023 primarily due to the decrease in gross profit margin and the increase in impairment loss on trade and other receivables and income tax.

Turnover growth

Our revenue increased continuously during the Track Record Period mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Net profit growth

Our net profit growth improved continuously during the Track Record Period, being approximately 1.5%, 15.5%, 18.8% and 22.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and such increase was in line with the increase in net profit during the corresponding year or period.

Gross margin

Our gross margin remained relatively stable for the years ended 31 December 2020, 2021 and 2022, being approximately 20.4%, 19.9% and 20.9%, respectively. It decreased to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and needs and (ii) the decrease in our revenue from advertisement distribution services.

Quick ratio

Our quick ratio was the same as the current ratio as we do not held inventory during the Track Record Period.

Debtors' turnover days

Our average trade receivable turnover days increased from approximately 71 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021, and decreased to approximately 75 days for the year ended 31 December 2022 and further decreased to approximately 59 days for the nine months ended 30 September 2023. The increase in average trade receivable turnover days for the year ended 31 December 2021 was primarily due to trade receivables arising from Customer I whereas the decrease for the year ended 31 December 2022 and the nine months ended 30 September 2023 was mainly due to adoption of a series of tightened internal control measures to manage our working capital and liquidity position.

Creditors' turnover days

Our average trade payable turnover days increased 17 days for the year ended 31 December 2020 to 20 days for the year ended 31 December 2021 and further to 23 days for the year ended 31 December 2022, mainly due to addition of new suppliers, such as Supplier H for the year ended 31 December 2021, which offers us a longer credit period of 90 days. It further decreased to 14 days for the nine months ended 30 September 2023 as prepayments to suppliers made up a higher portion of cost of services for the nine months ended 30 September 2023 and some trade payables, such as that of Supplier A, were settled during the same period.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at 30 September 2023.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we did not declare or pay any dividends to our Shareholders.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. See "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution, including in certain circumstances, share premium. Dividends declared in the past may not be indicative of our future dividend policy. Our Board has the absolute discretion to recommend any dividend.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. The PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, and such statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2023

The following profit estimate has been prepared based on the audited consolidated results of our Group for the nine months ended 30 September 2023, the unaudited consolidated results of our Group for the two months ended 30 November 2023 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2023. The profit estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to this prospectus.

Estimated consolidated profit attributable to equity shareholders of the Company	Not less than RMB65.0 million

See "Appendix IIB — Profit estimate" in this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 September 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 30 September 2023 which would materially affect the information shown in our consolidated financial statements set out in the Accountants' Report in Appendix I to this prospectus.

FINANCIAL RISKS

We are exposed to various types of financial risks, including credit risk, liquidity risk and interest rate risk. Our Directors review and agree on financial risk management policies and practices for managing each of these risks. See Note 20 of the Accountants' Report in Appendix I to this prospectus.

Credit risk

Our Group's credit risk is primarily attributable to trade receivables. See Note 20 of the Accountants' Report in Appendix I to this prospectus.

Liquidity risk

In management of the liquidity risk, our Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. See Note 20 of the Accountants' Report in Appendix I to this prospectus.

Interest rate risk

Our Group's borrowings are all short-term borrowings, issued at fixed rates. Fluctuation of interest rate will not have significant impact to our Group. See Note 20 of the Accountants' Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See "Unaudited pro forma financial Information" in Appendix IIA to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme), Ka Lok BVI will be entitled to exercise voting rights of 71.25% of the issued share capital of our Company. Ka Lok BVI is owned as to (i) 57.77% by Quartet Yutong BVI, which is solely owned by Mr. Zhao, (ii) 35.55% by Remit Sheng BVI, which is solely owned by Mr. Yu, (iii) 6.67% by Jing Sing BVI, which is solely owned by Ms. Shu, the spouse of Mr. Yu, and (iv) 0.01% by Jiang Oofy BVI, which is solely owned by Mr. Nie. As such, Ka Lok BVI, Quartet Yutong BVI, Mr. Zhao, Remit Sheng BVI, Mr. Yu, Jing Sing BVI, Ms. Shu, Jiang Oofy BVI and Mr. Nie will be our Controlling Shareholders as defined in the Listing Rules upon Listing.

INDEPENDENCE OF MANAGEMENT, FINANCIAL AND OPERATION

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their respective close associates:

Management independence

Our business is managed and conducted by our Board, which comprises 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. For details, see ''Directors and senior management'' in this prospectus. Whilst Mr. Zhao, Mr. Yu, Ms. Shu and Mr. Nie, being our Controlling Shareholders, are also our executive Directors, we believe that our Directors are able to perform their roles in our Company independently and that our Group is capable of managing our business independently from our the Controlling Shareholders for the following reasons:

(a) each Director is aware of his/her fiduciary duties as a director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and that he/she does not allow any conflict between his/her duties as a Director and his/her personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall, save in certain circumstances provided by the Articles of Association, abstain from voting at the relevant meetings of our Board in respect of such transactions;

(c) our Board comprises 8 Directors and 3 of them are independent non-executive Directors who represent not less than one-third of the members of the Board. This provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules; and

(d) our independent non-executive Directors will bring independent judgment to the decision-making process of our Board.

Based on the above, our Directors believe that our Company is capable of maintaining management independence from our Controlling Shareholders and their respective close associates.

Operational independence

Our Group possesses sufficient facilities, technology, skills and knowledge required for conducting our business. We have an established and complete organisation structure, comprising various separate departments each charged with specific responsibilities. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business. For details, see "Corporate governance measures" in this section. Except for the connected transactions as set out in "Connected transactions" in this prospectus, we have not entered into any connected transaction within the meaning ascribed to it under Chapter 14A of the Listing Rules with any of our Controlling Shareholders or their respective close associates that will continue after the Listing. The premises we leased from our Controlling Shareholders are for use as registered offices by two of our subsidiaries. All the properties and facilities necessary to our business and daily operations are separate from those held by our Controlling Shareholders and their respective associates. We do not rely on our Controlling Shareholders in respect of our operation.

Based on the above, our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates from the operational perspective.

Financial independence

Our financial auditing system and internal control system are independent from our Controlling Shareholders and any of their respective close associates and we employ our own team of financial accounting personnel. We have our own accounting and finance department, accounting systems, treasury function for cash receipts and payment and independent access to third party financing. We make independent financial decisions according to our own business needs.

During the Track Record Period, our Group had loans and advances from our Controlling Shareholders or their respective associates for working capital. These loans and advances have been repaid in full and, as at the Latest Practicable Date, we did not have any outstanding balance owed to or from our Controlling Shareholders. Moreover, our Group's bank loans was guaranteed by the personal guarantee of Mr. Zhao, Mr. Yu and Ms. Shu and the pledge of their assets during the Track Record Period. We plan to repay or settle some of the loans to release the guarantee prior to the Listing with our internal resources. We have obtained consents from a financial institution for release of the remaining guarantees upon our successful Listing. For further information, see "Financial information — Indebtedness — Bank and other loans" and Note 16 of the Accountants' Report set out in Appendix I to this prospectus. As at 30 September 2023, the total outstanding amount due to our Controlling Shareholder was approximately RMB9,000, which will be fully settled prior to the Listing. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by the net proceeds from the Global Offering, our operating income and bank borrowings.

Based on the above, our Directors believe that our Company is capable of maintaining financial independence from our Controlling Shareholders and their respective close associates.

Non-competition

None of our Controlling Shareholders or their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of our Company. In addition, each of our Controlling Shareholders has executed the Deed of Non-competition in favour of our Company. For details, see "Deed of Non-competition" in this section.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into with and in favour of our Company (for itself and as trustee for each of its subsidiaries) the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favour of our Company (for itself and for the benefits of each of its subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in Hong Kong, the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of our Group for employment by it/him/her or its/his/her close associates (excluding our Group);

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as a Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Activity;

(e) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or endeavour to entice away from or discourage from dealing with our Group any person who was at any time during the period of 1 year preceding the date of the Deed of Non-competition a supplier or subcontractor, customer or client of our Group;

(f) if there is any project or new business opportunity that relates to the Restricted Activity is offered or becomes aware to our Controlling Shareholders, our Controlling Shareholders shall (i) promptly refer such project or new business opportunity to our Group in writing for the independent non-executive Directors' consideration and determination on whether or not to take up the new business opportunity referred to our Group, and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, (ii) use its/his/her best endeavours to procure that such opportunity is offered to our Group on terms no less favourable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his/her close associates, and (iii) with regard to any project or new business opportunity shall have been rejected by our Group and the principal terms of which our Controlling Shareholders and/or any of its/his/her close associates and/or entities or companies controlled by it/he/she invest or participate are no more favourable than those made available to our Company;

(g) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(h) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-competition do not apply to:

(a) the holding of, or interests in, the shares of any members of our Group; and

(b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognised stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his/her close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of each of its subsidiaries):

(a) to allow our Directors, their respective representatives and our auditors to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition;

(b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders;

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

The Deed of Non-competition is conditional on the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled. The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect during the period (the "**Relevant Period**") from the Listing Date until the earlier of the date on which:

(a) our Controlling Shareholders, together with their close associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder) or more of the issued share capital of our Company; or

(b) the Shares cease to be listed and traded on the Stock Exchange.

We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of "control".

COMPETING BUSINESS

Our Controlling Shareholders confirmed that as at the Latest Practicable Date, none of them nor their respective close associate(s) have any interest in any business, apart from the business operated by our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group that would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;

(b) an annual declaration as to full compliance with the terms of the Deed of Non-competition will be made by our Controlling Shareholders, and will be disclosed in our annual reports;

(c) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested except in certain circumstances expressly provided in the Articles; and

(d) pursuant to the Corporate Governance Code set out in Appendix C1 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

We will follow the measures in the Corporate Governance Code which sets out the principles of good corporate governance in relation to Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Corporate Governance Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual reports.

We have entered into agreements with parties which will, upon completion of the Listing, become our connected persons, and the transactions disclosed in this section will constitute connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED PERSONS

The table below sets forth the parties to the transactions who will become our connected persons upon Listing and the nature of their relationship with our Group:

Name of the connected persons	Relationship with our Group
Mr. Yu	Mr. Yu is an executive Director, the chief executive officer of our Company, spouse of Ms. Shu and one of our Controlling Shareholders, and is therefore our connected person under the Listing Rules.
Ms. Shu	Ms. Shu is an executive Director, spouse of Mr. Yu and one of our Controlling Shareholders, and is therefore our connected person under the Listing Rules.

EXEMPTED CONNECTED TRANSACTIONS

Lease agreements

Our Group entered into lease agreements with our connected persons, and the principal terms of which are set out as follows:

Lessor	Lessee	Premises	Term	Use	Size	Rental
Ms. Shu	Beijing Lesimedia	Unit 2121, 21/F, Block 2, No. 87 Jiancaicheng Road West, Changping District, Beijing, PRC	1 January 2024 to 31 December 2024	Office	46.53 sq.m.	Nil
Ms. Shu and Mr. Yu	Khorgos Lechuang	Room 409, 4/F, Dongfang Jingxiu Mansion, Zone B4, Central Area, Khorgos Border Cooperation Centre, Yili Prefecture, Xinjiang, PRC	1 January 2024 to 31 December 2024	Office	124.96 sq.m.	Nil

These transactions are accounted as one-off in nature under IFRS 16. With respect to the one-off connected transactions contemplated under the above lease agreements (and their preceding agreements, if any), the historical transaction amounts during the Track Record Period are nil.

Reason for the transactions

Our Group has used the properties under such lease agreements as our registered office in Beijing since May 2010 and as our registered office in Xinjiang since June 2018. Having considered that there is no consideration payable by our Group under such lease agreements, our Directors consider that the terms of the transactions are better than normal commercial terms, and are in the interest of our Company and the Shareholders to continue using the premises under such lease agreements merely as our registered office.

Implications under the Listing Rules

In accordance with IFRS 16 "Leases" (which is effective from 1 January 2019), the leases under such lease agreements are recognised as right-of-use assets on our statement of financial position. Therefore, the entering into of such lease agreements will be regarded as the acquisition of capital assets and one-off connected transactions, and are de minimis transactions (as defined under Rule 14A.76 of the Listing Rules) based on the percentage ratio calculated in accordance with Chapter 14 of the Listing Rules, rather than continuing connected transactions. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules are fully exempt. Our Company will duly comply with the relevant requirements for disclosure and approval for future connected transactions of our Group.

SHARE CAPITAL

The following is a summary of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Capitalisation Issue and the Global Offering:

		US$
Authorised share capital		
5,000,000,000	Shares of US$0.001 each par value	5,000,000
Issued share capital		
20,000,000	Shares in issue as at the date of this prospectus	20,000
Shares to be issued		
355,000,000	Shares to be issued pursuant to the Capitalisation Issue	355,000
125,000,000	Shares to be issued pursuant to the Global Offering	125,000
Total issued shares on completion of the Global Offering		
500,000,000	Shares	500,000

If the Over-allotment Option is exercised in full, 18,750,000 additional Shares will be issued, resulting in a total enlarged issued share capital of US$518,750 divided into 518,750,000 Shares of US$0.001 each.

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering become unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors to issue or repurchase Shares as referred to in "General mandate to issue Shares" and "General mandate to repurchase Shares" in this section, as the case may be.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 21 February 2024. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, employees our Company, advisers, consultants, customers, suppliers and agents of our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. For further details of the rules of the Share Option Scheme, see ‘‘D. Other information — 1. Share Option Scheme’’ in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional upon the conditions as stated in ‘‘Structure of the Global Offering — Conditions of the Global Offering’’ of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed the aggregate of:

(i) 20% of the total issued number of the Shares in issue immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and

(ii) the total number of Shares repurchased by our Company pursuant to the authority granted to our Directors referred to in ‘‘General mandate to repurchase Shares’’ in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of any option which may be granted under the Share Option Scheme. This mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to allot and issue or deal with shares, see "A. Further information about our Company — 3. Resolutions in writing of the Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares as will represent not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "A. Further information about our Company — 6. Repurchase of the Shares by our Company" in Appendix IV to this prospectus.

This mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to repurchase shares, see "A. Further information about our Company — 3. Resolutions in writing of the Shareholders" and "A. Further information about our Company — 6. Repurchase of the Shares by our Company" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING OF OUR COMPANY IS REQUIRED

The circumstances under which a meeting is required are provided in the Articles, a summary of which is set out in Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, as at the Latest Practicable Date and immediately following the completion of the Capitalisation Issue and the Global Offering (and without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

		As at the Latest Practicable Date		Immediately following the completion of the Capitalisation Issue and the Global Offering	
Name of substantial Shareholder	**Capacity/ Nature of interest**	**Number of Shares(1)**	**Approximate percentage of shareholding**	**Number of Shares(1)**	**Approximate percentage of shareholding**
Ka Lok BVI	Beneficial owner	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%
Quartet Yutong BVI(2)	Interest in corporation	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%
Mr. Zhao(2)	Interest in controlled corporation	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%
Remit Sheng BVI(3)	Interest in corporation	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%
Mr. Yu(3)	Interest in controlled corporation	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%
Ms. Shu(4)	Interest of spouse	19,000,000 (L)	95.00%	356,250,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ka Lok BVI is owned as to 57.77% by Quartet Yutong BVI, which is in turn solely owned by Mr. Zhao. By virtue of the SFO, each of Quartet Yutong BVI and Mr. Zhao is deemed to be interested in the Shares in which Ka Lok BVI is interested.

(3) Ka Lok BVI is owned as to 35.55% by Remit Sheng BVI, which is in turn solely owned by Mr. Yu. By virtue of the SFO, each of Remit Sheng BVI and Mr. Yu is deemed to be interested in the Shares in which Ka Lok BVI is interested.

(4) Ms. Shu is the spouse of Mr. Yu. By virtue of the SFO, Ms. Shu is deemed to be interested in all the Shares held by Mr. Yu.

Save as disclosed in the above table, our Directors are not aware of any person who will or any entity which will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Our Board consists of 8 Directors including 4 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

The following table sets forth certain information relating to our Directors:

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and senior management
Mr. Zhao Libing (趙利兵)	41	1 March 2016	Executive Director and chairman	30 June 2020	Overall strategic planning and major business decisions, supervising the operational efficiency of the management system and serving as the chairman of the Nomination Committee	None
Mr. Yu Canliang (余燦良)	44	1 September 2015	Executive Director and chief executive officer	30 June 2020	Daily operation and general management of our Group and assisting in strategic planning and major decisions of our Group	Spouse of Ms. Shu Qing
Mr. Nie Jiang (聶江)	41	1 November 2016	Executive Director, chief operating officer and joint company secretary	1 August 2022	Overall operational management and overseeing administration, compliance and sales and marketing for our Group	None
Ms. Shu Qing (舒清)	45	9 January 2009	Executive Director and chief financial officer	1 August 2022	Comprehensive financial management and supervising accounting and financing of our Group	Spouse of Mr. Yu Canliang
Ms. Chang Qing (常青)	37	1 August 2022	Non-executive Director	1 August 2022	Providing advice on strategic development and corporate governance of our Group	None
Mr. Lu Yao (陸耀)	50	20 February 2024	Independent non-executive Director	20 February 2024	Supervising and providing independent judgment to our Board and serving as the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee	None
Ms. Zheng Hong (鄭紅)	45	20 February 2024	Independent non-executive Director	20 February 2024	Supervising and providing independent judgment to our Board and serving as a member of Audit Committee, Remuneration Committee and Nomination Committee	None

Name	Age	Date of joining our Group	Present position	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and senior management
Mr. Hu Hui (胡輝)	47	20 February 2024	Independent non-executive Director	20 February 2024	Supervising and providing independent judgment to our Board and serving as the chairman of Audit Committee and a member of Remuneration Committee and Nomination Committee	None

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Libing (趙利兵), aged 41, is the chairman of the Board, an executive Director of our Company and the chairman of the Nomination Committee. He joined our Group on 1 March 2016. He is responsible for the overall strategic planning and major business decisions of our Group and supervising the operational efficiency of the management system.

Mr. Zhao has more than 15 years of experience in sales and marketing in the technology and internet industries. Prior to joining our Group, from March 2009 to February 2016, Mr. Zhao worked at UC Mobile Ltd.* (優視科技有限公司), which is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited (the shares of which are listed on the New York Stock Exchange (stock code: BABA) and the Stock Exchange (stock code: 9988) and is primarily engaged in the provision of mobile internet software and services including mobile browser), and his last position held was sales expert and senior manager, being responsible for providing sales and marketing services. From May 2007 to February 2009, he worked in an information services company, which is primarily engaged in the provision of technical development, transfer and consultation services. From October 2006 to April 2007, he worked in an outsourced call centre, which is primarily engaged in the provision of business process outsourcing services to corporate clients by establishing and operating call centres and data entry centres.

Mr. Zhao received a bachelor's degree in Communication Engineering from Beijing Jiaotong University (北京交通大學) in July 2006 through distance learning. Mr. Zhao also received an Executive Master's Degree in Business Administration (EMBA) (高級管理人員工商管理碩士) from Tsinghua University (清華大學) in June 2023.

Mr. Yu Canliang (余燦良), aged 44, is an executive Director and the chief executive officer of our Company. He joined our Group on 1 September 2015. He is the general manager of Beijing Lesimedia and responsible for the daily operation and general management of the business of our Group and assisting in strategic planning and major decisions of our Group. He is the spouse of Ms. Shu Qing.

Mr. Yu has approximately 20 years of experience in sales and marketing in the technology and internet industries. Prior to joining our Group, he worked as a deputy general manager and a supervisor at Beijing Maodou Technology Co., Ltd.* (北京毛豆科技有限公司), which is primarily engaged in the provision of 3D printing services, between November 2014 and August 2015, and he was responsible for online sales and marketing services. As at the Latest Practicable Date, Mr. Yu remains as a shareholder and supervisor of Beijing Maodou Technology Co., Ltd.* (北京毛豆科技有限公司). From July 2010 to November 2014 and from September 2010 to April 2014, he was respectively a deputy general manager and a supervisor of Beijing Xingyan Boshang Technology Ltd.* (北京行言柏尚科技有限公司) (currently listed on the NEEQ of the Shenzhen Stock Exchange, stock code: 870195, and known as Beijing Xingyan Boshang Technology Co., Ltd.* (北京行言柏尚科技股份有限公司)), which is primarily engaged in comprehensive internet services including big data services for corporate customers, mobile internet advertising services and user experience design services, and he was responsible for channel sales. Between June 2004 and March 2010, he worked for Beijing Palm Vision Digital Information Technology Co., Ltd.* (北京掌訊遠景數碼信息技術有限公司), which is primarily engaged in the provision of technical development and consultation services, and his last position was sales director, and he was responsible for providing sales and marketing services. From October 2002 to February 2004, he worked in a mobile internet solutions services provider, which is primarily engaged in the provision of communication system integration services.

Mr. Yu received a bachelor's degree in Laws from Beihang University (北京航空航天大學) in September 2017 through distance learning. He also received a bachelor's degree in Computer Technology and Application (計算機技術與應用) from Tsinghua University (清華大學) in March 2007 through distance learning. Mr. Yu received a diploma in Computer Application from Hunan Radio and TV University (湖南廣播電視大學) in June 2000.

Mr. Nie Jiang (聶江), aged 41, is an executive Director, the chief operating officer and the joint company secretary of our Company. He joined our Group on 1 November 2016. He is responsible for the overall operational management and overseeing administration, compliance and sales and marketing for our Group. He is in charge of our daily operation, including our company secretarial and corporate compliance affairs. He has led the administration and legal team of our Group in overseeing our legal and compliance matters since November 2016.

Mr. Nie has more than 15 years of experience in business management and development in the media and technology industries. Prior to joining our Group, from June 2010 to November 2016, he was an operations deputy director of Beijing Tianying Jiuzhou Network Technology Co., Ltd.* (北京天盈九州網絡技術有限公司), which is a media company providing premium content on an integrated internet platform in China and a subsidiary of Phoenix New Media Limited (鳳凰新媒體有限公司) (the shares of which are listed on the New York Stock Exchange (stock code: FENG)), and he was responsible for sales and marketing growth. From December 2009 to May 2010, he worked at Beijing Rising Information Technology Co., Ltd.* (北京瑞星信息技術股份有限公司) (formerly listed on the NEEQ of the Shenzhen Stock Exchange, stock code: 836598, and currently known as Beijing Rising Network Security Technology Co., Ltd.* (北京瑞星網安技術股份有限公司)), which is primarily engaged in the provision of information security services, and was mainly responsible for providing platform development services. From April 2007 to December 2009, he was a technical support engineer of Beijing Rising International Software Co., Ltd.* (北京瑞星國際軟件有限公司), which is primarily engaged in the provision of computer software development and consultation services.

Mr. Nie received a diploma in Computer Networking Technology (計算機網絡技術學) from Hebei Normal University (河北師範大學) in June 2002. Mr. Nie obtained the qualification of secretary of board by the Shenzhen Stock Exchange in December 2021.

Ms. Shu Qing (舒清), aged 45, is an executive Director and the chief financial officer of our Company. She joined our Group on 9 January 2009. She is responsible for the comprehensive financial management and supervising accounting and financing of our Group. She is the spouse of Mr. Yu Canliang.

Ms. Shu has more than 15 years of experience in sales and accounting. From September 2009 to September 2010, she served as a supervisor at Beijing Xingyan Boshang Technology Ltd.* (北京行言柏尚科技有限公司) (currently listed on the NEEQ of the Shenzhen Stock Exchange, stock code: 870195, and known as Beijing Xingyan Boshang Technology Co., Ltd.* (北京行言柏尚科技股份有限公司)), which is primarily engaged in comprehensive internet services including big data services for corporate customers, mobile internet advertising services and user experience design services, and she was responsible for providing business advice. From August 2006 to May 2016, she was a finance manager of Beijing Jingwei Xinkang Pharmaceutical Technology Development Co., Ltd.* (北京京衛信康醫藥科技發展有限公司), which is a subsidiary of Tibet Weixinkang Medicine Co., Ltd.* (西藏衛信康醫藥股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (stock code: 603676) and its principal business is research and development, production and sales of pharmaceutical products), and she was responsible for the financial management of the group's research and development department, and preparing the group's consolidated financial report.

Ms. Shu received a bachelor's degree in Accounting from China Agricultural University (中國農業大學) in January 2017 through part-time learning. Ms. Shu also received a diploma in Business Administration from Hunan Township Enterprise School* (湖南省鄉鎮企業學校) in July 1999. Ms. Shu has been awarded with the certificate of junior accountant by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) since October 2012.

Non-executive Director

Ms. Chang Qing (常青), aged 37, is a non-executive Director. She joined our Group on 1 August 2022. She was nominated by the Pre-IPO Investor. For further information, see "History and development — Pre-IPO Investment". She is responsible for providing advice on strategic development and financial planning of our Group.

Ms. Chang has more than 10 years of legal experience. Since December 2020, she has been the chief compliance officer and a member of the investment committee of Ma LM Family Office Pte. Ltd., which is primarily engaged in managing investments and trusts for a family, and is responsible for performing managerial and administrative duties. From January 2019 to December 2019, she worked as a part time legal adviser at Singapore FOZL Group Pte. Ltd., which is primarily engaged in the provision of corporate consulting services. And, she was responsible for providing legal advices. From June 2016 to January 2019, she worked as a senior legal counsel at Golden Touch Capital Pte. Ltd., which is primarily engaged in the provision of corporate consulting services. And, she was responsible for providing legal advices. She served as a secretary of the board and a general legal counsel of Shaanxi Longmen Education Technology Ltd.* (陝西龍門教育科技有限公司) (formerly known as Shaanxi Longmen Education Technology Co., Ltd.* (陝西龍門教育科技股份有限公司) and its shares were delisted from the National Equities Exchange and Quotations System (stock code: 838830) on 18

October 2019), which is a direct wholly-owned subsidiary of Suzhou Kingswood Education Technology Co., Ltd. (蘇州科德教育科技股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (stock code: 300192) and its principal business is education training and offset printing), from December 2015 to December 2019 and from January 2020 to November 2020, respectively. And, she was responsible for the company's corporate governance and compliance matters. From August 2013 to November 2015, she worked as a senior legal counsel of Wan Shang International Holdings Pte. Ltd. (currently known as Shang Shan Holdings Pte. Ltd.), which is primarily engaged in the provision of investment services. And, she was responsible for handling the company's legal affairs and compliance matters. From November 2011 to June 2013, she worked in Drew & Napier LLC, which is a law firm in Singapore, and her last position held was a legal executive in the corporate and finance department.

Ms. Chang received a bachelor's degree in Laws from the China University of Political Science and Law (中國政法大學) in July 2009 and a master's degree in Laws from the University of Southern California in May 2010. She became a qualified lawyer in New York State, the United States and the PRC in September 2011 and March 2012, respectively. She obtained the qualifications of secretary of board by the Shenzhen Stock Exchange and the Shanghai Stock Exchange in April 2017 and June 2017, respectively.

Independent non-executive Directors

Mr. Lu Yao (陸耀), aged 50, was appointed as our independent non-executive Director on 20 February 2024. Mr. Lu serves the chairman of Remuneration Committee and a member of Audit Committee and Nomination Committee and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Lu has been a director at Beijing Qingyuan Feikong Energy Technology Co. Ltd.* (北京清源飛控能源科技有限公司), which was principally engaged in technical development of energy-saving products, and was responsible for advising on corporate finance matters, since January 2021. Mr. Lu worked at Anglo Chinese Corporate Finance, Limited, which is primarily engaged in the provision of corporate financing advisory services, from November 2007 to December 2018. He was successively a senior manager of Anglo Chinese Corporate Finance Limited and a director of Beijing Anglo Chinese Consulting Co., Ltd.* (北京英高諮詢有限公司), and was responsible for business development and project execution. Between June 2006 and November 2007, he worked as a senior associate at Deloitte & Touche Corporate Finance Ltd., Beijing Branch (currently known as Deloitte Touche Tohmatsu Limited), which is primarily engaged in the provision of financial advisory and related service, and he was responsible for providing financial advisory services in mergers and acquisitions. Before that, Mr. Lu worked as the senior manager at Beijing Weijing Investment Consulting Co., Ltd.* (北京威京投資諮詢有限公司), which is primarily engaged in the provision of investment consultation services. And, he was responsible for business development and project execution between April 2003 and December 2005.

Mr. Lu received a bachelor's degree in Mechanical Engineering from Tsinghua University (清華大學) in July 1996 and a master's degree in Business Administration from the University of International Business and Economics (對外經濟貿易大學) in June 2000. Mr. Lu has passed all the required subjects of the professional stage of the National Uniform Certified Public Accountant Examination of PRC in January 2011.

Ms. Zheng Hong (鄭紅), aged 45, was appointed as our independent non-executive Director on 20 February 2024. Ms. Zheng serves as a member of Audit Committee, Remuneration Committee and Nomination Committee and is primarily responsible for supervising and providing independent judgment to our Board.

Ms. Zheng has been the digital platform growth director of Sino Television (H.K.) Ltd., mainly responsible for sales and marketing, since November 2019. From August 2018 to October 2019, she was a strategic development manager of Sino Television Co. Ltd.* (神州電視有限公司), mainly responsible for marketing strategies, which is primarily engaged in media and cultural business. She held various positions at Phoenix New Media Limited (鳳凰新媒體有限公司) between April 2005 to December 2016, which is a media company providing premium content on an integrated internet platform, including PC and mobile, in China and the shares of which are listed on the New York Stock Exchange (stock code: FENG), and was successively a marketing manager between April 2005 and April 2008, director of video operating centre and deputy director of copyright division between April 2008 and July 2011, senior director of wireless video division between July 2011 and April 2015, and her last position was senior director of video division, and she was responsible for the overall business operation and management between April 2015 to December 2016.

Ms. Zheng received a bachelor's degree in Finance from the School of Continuing Education (Online Education) (繼續教育學院(網絡教育)) of Renmin University of China (中國人民大學) in September 2009 and a master's degree in public administration and management from National University of Singapore in February 2018. Ms. Zheng also completed Tsinghua-Citi EMBA Media Training Course* (清華-花旗EMBA獎學金媒體培訓課程班) organised by the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in July 2011.

Mr. Hu Hui (胡輝), aged 47, was appointed as our independent non-executive Director on 20 February 2024. Mr. Hu serves as the chairman of Audit Committee and a member of Remuneration Committee and Nomination Committee and is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Hu currently holds various directorship and positions in several companies. Mr. Hu has served as a supervisor at Suzhou Huiwei Intelligent Medical Technology Co. Ltd.* (蘇州慧維智能醫療科技有限公司), which was principally engaged in biotech development and medical device technology services, and was responsible for providing business advice, since June 2019. He has also served as an executive director and a legal representative at Hunan Siqin Tax Agency Co. Ltd.* (湖南思勤稅務師事務所有限公司), which was principally engaged in the provision of tax consulting and tax assurance services, and was responsible for daily management and the provision of tax advisory services, since August 2018. He has also served as a supervisor at Shanghai Mili Technology Co. Ltd.* (上海覓理科技有限公司), which was principally engaged in software and technology development business, and was responsible for providing business advice and supervising corporate matters, since May 2018. From December 2015 to November 2022, he served as an executive partner of Shenzhen Tongfa Huihuang Investment Enterprise (Limited Partnership)* (深圳市通發輝煌投資企業(有限合夥)). From January 2014 to November 2017, he served as a legal representative at Zhongzhun CPA LLP (Hunan Branch)* (中準會計師事務所(特殊普通合夥)湖南分所)), which was then merged into Zhongzhun CPA LLP* (中準會計師事務所(特殊普通合夥)) and de-registered in March 2021, and he was responsible for overseeing daily management of the branch and maintaining client relationship. Since April 2015, he has also been a partner of Zhongzhun CPA LLP* (中準會計師事務所(特殊普通合夥)), which is primarily engaged in the provision of audit and assurance services, and he is responsible for managing business development and maintaining client relationship. From November 2007 to January 2013, he worked as a certified public accountant at Hunan Jinxinda Accounting Firm* (湖南金信達會計師事務所), which is primarily engaged in the provision of audit and assurance services, and was responsible for performing audit work.

Mr. Hu received a diploma in Accounting from Hunan University* (湖南大學) in December 2002 and a bachelor's degree in Accounting from Hunan University* (湖南大學) through distance learning in June 2017. Mr. Hu has been a certified public accountant of the Chinese Institute of Certified Public Accountants since November 2004.

We have entered into service agreements with each of our executive Directors and letters of appointment with each of our non-executive Director and independent non-executive Directors. Save as disclosed in this prospectus, each of our Directors confirmed that (i) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (with the meaning of Part XV of the SFO) as the Latest Practicable Date; (ii) he/she had no other relationship with any Directors, senior management and/or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) he/she did not hold any directorships within the 3 years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; (iv) he/she is not engaged in, or interested in any business (other than our Group business) which, directly or indirectly, competes or is likely to compete with our business, which would require disclosure pursuant to Rule 8.10 of the Listing Rules; and (v) there are no other matters concerning our Director's appointments that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Each of Mr. Lu Yao, Ms. Zheng Hong and Mr. Hu Hui has confirmed that (i) he/she has satisfied all the criteria for independence set out in Rule 3.13 of the Listing Rules; (ii) he/she has no present or past financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company; and (iii) there are no other factors which may affect his/her independence at the time of his/her appointment; and provided confirmation of independence to our Company. Our Board considers that each of them is independent and believes that respective appointment of them as independent non-executive Director would be in the best interest of our Company and our Shareholders as a whole.

Each of our Directors (i) have obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 14 April 2023; and (ii) confirmed that he/she understood his/her obligations as a Director.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

Mr. Zhao Libing (趙利兵), aged 41, is the chairman of the Board and our executive Director. For details of his biographical information, see "Board of Directors — Executive Directors" in this section.

Mr. Yu Canliang (余燦良), aged 44, is the chief executive officer of our Company and our executive Director. For details of his biographical information, see "Board of Directors — Executive Directors" in this section.

Mr. Nie Jiang (聶江), aged 41, is the chief operating officer of our Company, our executive Director and our joint company secretary. For details of his biographical information, see "Board of Directors — Executive Directors" in this section.

Ms. Shu Qing (舒清), aged 45, is the chief financial officer of our Company and our executive Director. For details of her biographical information, see "Board of Directors — Executive Directors" in this section.

JOINT COMPANY SECRETARIES

Mr. Nie Jiang (聶江), aged 41, was appointed as the joint company secretary of our Company on 20 February 2024. For details of his biographical information, see "Board of Directors — Executive Directors" in this section.

Mr. Lee Cheuk Wang (李卓宏), aged 50, was appointed as the joint company secretary of our Company on 20 February 2024. He is a solicitor of the High Court of the Hong Kong Special Administrative Region. Since April 2017, he has been a partner of Loeb & Loeb LLP, the legal advisers to our Company as to Hong Kong law. He is also a joint company secretary of Kinergy Corporation Ltd., the shares of which are listed on the Stock Exchange (stock code: 3302). Mr. Lee graduated from the City University of Hong Kong with Bachelor of Laws in 1996 and Master of Laws in Chinese and Comparative Law in 1999. He has more than 22 years of experience in advising on regulatory compliance and corporate governance in Hong Kong.

BOARD COMMITTEE

We have established the following committees under our Board of Directors: the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

Our Company established the Audit Committee on 21 February 2024 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of 3 members, namely Mr. Hu Hui, Mr. Lu Yao and Ms. Zheng Hong, all of whom are our independent non-executive Directors. The chairman of the Audit Committee is Mr. Hu Hui. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

Our Company established the Remuneration Committee on 21 February 2024 with written terms of reference in compliance with the Corporate Governance Code. The Remuneration Committee consists of 3 members, namely Mr. Lu Yao, Ms. Zheng Hong and Mr. Hu Hui, all of whom are our independent non-executive Directors. The chairman of the Remuneration Committee is Mr. Lu Yao. The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering our Directors and senior management of our Group.

Nomination Committee

Our Company established the Nomination Committee on 21 February 2024 with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of 4 members, namely Mr. Zhao Libing, Mr. Lu Yao, Ms. Zheng Hong and Mr. Hu Hui. The chairman of the Nomination Committee is Mr. Zhao Libing. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as Directors and to oversee the process for evaluating the performance of the Board.

BOARD DIVERSITY

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on our Board in order to enhance the quality of its performance. Such policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, at least 1 member of the Board shall be female, and we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. All Board appointments will be based on meritocracy, having due regard to the attributes that the new Director will bring to the Board to complement and enrich the competencies, experience and perspectives of the Board.

Our Board comprises of 8 members, including 3 female Directors. Our Directors have a balanced portfolio of knowledge and skills, including sales and marketing, business management and development, finance and accounting, corporate management, legal affairs and corporate governance and investment management. They obtained degrees in various fields such as communication engineering, computer networking technology, computer technology and application, law, business administration, accounting and finance. The age of our Directors ranges from 36 years old to 50 years old. Our Company will also continue to take steps to promote diversity in all aspects at all levels of our Company, including but without limitation at our Board and senior management levels. In particular, our chief financial officer, who is responsible for supervising the financial management of our Group, is a female executive Director and a member of our senior management team.

Our Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, our Nomination Committee will annually review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor the gender ratios in the workforce (including senior management) and report annually in our corporate governance report about the implementation of the Board Diversity Policy. Our Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board, including the biographical details of each Director.

CORPORATE GOVERNANCE CODE

Our Company aims to achieve high standards of corporate governance which are crucial to the development of our Company and safeguard the interests of our Shareholders. Our Company expects to comply with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and the associated Listing Rules after Listing. Pursuant to the Corporate Governance Code, the Board will regularly review whether each of the Directors is devoting sufficient time and attention to the affairs of our Group including but not limited to the review of the attendance record of the Board meetings or Board committee meetings. Should there be concerns on the time commitments by the relevant Director(s) to our Group, the Board may request the relevant Director(s) to provide an update to the Board in relation to any changes with respect to his/her significant commitments.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits-in-kind, discretionary bonuses and pension scheme contributions.

The aggregate amount of remuneration including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group to our Directors for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 was approximately RMB1.9 million, RMB2.1 million, RMB2.2 million and RMB1.9 million, respectively.

The aggregate amount of remuneration including fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind which were paid by our Group to the 5 highest paid individuals who are not our Directors for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 was approximately RMB1.3 million, RMB1.4 million, RMB1.2 million and RMB1.3 million, respectively.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ended 31 December 2023 is estimated to be approximately RMB2.9 million.

Save as disclosed in this prospectus, (i) no remuneration was paid to our Directors or the 5 highest paid individuals as an inducement to join, or upon joining, our Group; (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the 5 highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and (iii) none of our Directors waived any emoluments during the same period.

For details of our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Notes 8 and 9 of the Accountants' Report in Appendix I to this prospectus.

COMPLIANCE ADVISER

We have appointed China Sunrise Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

To grant options to selected participants as incentives or rewards for their contribution to our Group, our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in "D. Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

FUTURE PLANS

See "Business — Strategies and future plans" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$108.6 million (equivalent to approximately RMB100.1 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming the initial Offer Price of HK$1.30 per Share (being the mid-point of the Offer Price range).

We intend to use all of the net proceeds from the Global Offering in the future expansion of our business, details of which are set out below:

- approximately 40.0%, or HK$43.4 million (equivalent to approximately RMB40.1 million) in expanding our mobile advertising business in the PRC by expanding our customer base and our network for ad distribution, including:

  (i) approximately 30.0%, or HK$32.6 million (equivalent to approximately RMB30.1 million), will be used to finance our prepayments to suppliers to facilitate our expansion of mobile advertising business;

  (ii) approximately 6.0%, or HK$6.5 million (equivalent to approximately RMB6.0 million), will be used for payment of refundable deposits to media platforms when we expand our network for ad distribution;

  (iii) approximately 4.0%, or HK$4.3 million (equivalent to approximately RMB4.0 million), will be used to expand our operation to support our continuous growth by recruiting additional staff for our sales and marketing team and media platform management team;

- approximately 20.0%, or HK$21.7 million (equivalent to approximately RMB20.0 million) in expanding our short video production capacities, including:

  (i) approximately 8.0%, or HK$8.7 million (equivalent to approximately RMB8.0 million), will be used to expand our production base to Changsha, the PRC;

  (ii) approximately 8.0%, or HK$8.7 million (equivalent to approximately RMB8.0 million), will be used to expand our content production team by recruiting additional staff;

  (iii) approximately 4.0%, or HK$4.3 million (equivalent to approximately RMB4.0 million), will be used to enhance our production quality by introducing new equipment and software;

- approximately 20.0%, or HK$21.7 million (equivalent to approximately RMB20.0 million) in enhancing and upgrading the functions of our self-developed platform, including:

  (i) approximately 9.5%, or HK$10.3 million (equivalent to approximately RMB9.5 million), will be used to develop new functions for our platform for internal use and to engage an Independent Third Party to upgrade our system;

  (ii) approximately 8.0%, or HK$8.7 million (equivalent to approximately RMB8.0 million), will be used to develop new functions for our platform for external use and to engage an Independent Third Party to upgrade our system;

  (iii) approximately 2.5%, or HK$2.7 million (equivalent to approximately RMB2.5 million), will be used to expand our information technology team to maintain and enhance our platform;

- approximately 10.0%, or HK$10.9 million (equivalent to approximately RMB10.0 million), will be used to finance any merger and acquisition opportunities in the advertising and marketing industry in the PRC or overseas markets, when opportunities arise; and

- approximately 10.0%, or HK$10.9 million (equivalent to approximately RMB10.0 million) as working capital and general corporate purpose.

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

	For the six months ending			
	30 June 2024	**31 December 2024**	**30 June 2025**	**Total**
	(HK$ in millions)			
Expansion of our mobile advertising business				
Finance our prepayments to suppliers to facilitate our expansion of mobile advertising business	10.6	10.6	11.4	32.6
Finance our payment of refundable deposits to media platforms	2.1	2.1	2.3	6.5
Expand our operation to support our growth	1.2	1.2	1.9	4.3
Enhancing our video production capacities				
Develop our production base in Changsha	3.5	2.6	2.6	8.7
Expand our content production team	—	1.9	6.8	8.7
Purchase of equipment and software	1.0	1.0	2.3	4.3
Upgrade of our self-developed platform				
System update for internal use	3.6	3.6	3.1	10.3
System update for external use	3.0	3.0	2.7	8.7
Expand our IT team	1.0	1.0	0.7	2.7
Acquisition and merger opportunities	—	9.1	1.8	10.9
General working capital	5.4	5.5	—	10.9

Assuming the Over-allotment Option is not exercised, (i) if the Offer Price is fixed at HK$1.50 per Share, being the high end of the stated Offer Price range, the net proceeds will increase to approximately HK$133.6 million; and (ii) if the Offer Price is fixed at HK$1.10 per Share, being the low end of the stated Offer Price range, the net proceeds will decrease to approximately HK$83.6 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$132.9 million, assuming an Offer Price of HK$1.30 per Offer Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$25.0 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that our net proceeds are not sufficient to satisfy the liquidity requirements of the purpose as set forth above, we intend to fund the shortfall through variety of means including cash generated from operations and bank financing and/or reallocate the net proceeds from the Global Offering, which shall comply with the requirements contemplated under the Listing Rules from time to time.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into short-term interest-bearing bank accounts with licenced banks and/or authorised financial institutions (as defined under the SFO or applicable laws and regulations in the PRC) in Hong Kong or China. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

HONG KONG UNDERWRITERS

China Sunrise Securities (International) Limited
ABCI Securities Company Limited
BOCI Asia Limited
BOCOM International Securities Limited
CEB International Capital Corporation Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Long Bridge HK Limited
Orient Securities (Hong Kong) Limited
Soochow Securities International Brokerage Limited
Valuable Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 12,500,000 Hong Kong Offer Shares and the International Offering of initially 112,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 12,500,000 Hong Kong Offer Shares (subject to reallocation) for subscription by members of the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme) and such approval not having been subsequently withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) on or before 12:00 noon on Wednesday, 6 March 2024, the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Overall Coordinators, at their sole and absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters, upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(a) There has come to the notice of the Joint Overall Coordinators:

(i) that any statement contained in this prospectus, the post hearing information pack, the formal notice, any submission, documents or information provided to the Sole Sponsor, the Joint Overall Coordinators and/or the Joint Bookrunners and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**") was, when it was issued, or has become or been discovered to be untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, in the sole and absolute opinion of the Joint Overall Coordinators, constitute a material omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of Underwriters) which, in the sole and absolute opinion of the Joint Overall Coordinators, is material; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors (the "**Warrantors**") arising out of or in connection with the breach of representations, warranties, agreements and undertaking (the "**Warranties**") under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

(v) any of the Warranties given by the Warrantors under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material aspect when given or repeated as determined by the Joint Overall Coordinators in their sole and absolute discretion; or

(vi) the approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and any Shares to be issued as mentioned in this prospectus is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(viii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Relevant Documents or to the issue of any of the Relevant Documents; or

(ix) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced any intention to investigate or take other action, against any of our Directors and senior management members of our Company as set out in the section headed "Directors and senior management" in this prospectus; or

(x) a portion of the orders in the book-building process, which is considered by the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) in its absolute opinion to be material, at the time the International Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled, and the Joint Overall Coordinators, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xi) any change or development involving a prospective material adverse change (whether permanent or not) in the assets, liabilities, shareholders' equity, management, performance, business affairs, prospects or financial or trading position of any member of our Group; or

(xii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material; or

(b) there shall develop, occur, exist, or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, novel coronavirus (COVID-19), Severe Acute Respiratory Syndrome (SARS), avian influenza A (H5N1), influenza B, Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

(ii) any material adverse change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any material adverse change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range); or

(iv) any new laws, or any material adverse change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any material adverse change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, PRC, the Cayman Islands, the BVI or any other jurisdictions relevant to the business and/or the operation of any member of our Group or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium, suspension or restriction on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading, trading in securities on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange, or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a material adverse change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any material adverse change or development involving a prospective material change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or

(ix) any litigation or claim of any third party of material and adverse nature being threatened or instigated against any member of our Group or any of the Warrantors; or

(x) any of our Directors and senior management members of our Company as set out in the section headed "Directors and senior management" in this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any investigation or action against any of our Directors and senior management members of our Company in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such investigation or action; or

(xiii) a contravention by any member of our Group or any of our Directors of the Listing Rules, the Companies Ordinance or any other laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares that may be issued pursuant to the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other laws applicable to the Global Offering; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or

(xvii) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (WUMP) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xviii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group,

which, in each case or in aggregate, in the sole and absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other conditions or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged in accordance with the Hong Kong Underwriting Agreement and this prospectus or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within 6 months from the Listing Date (whether or not such issue of Shares or securities will be completed within 6 months from the Listing Date), except for the circumstances permitted pursuant Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to our Company and the Stock Exchange that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option and the grant and exercise of the options under the Share Option Scheme) and for the circumstances permitted pursuant to Rule 10.07 of the Listing Rules, he/she/it shall not, and shall procure that the relevant registered holder(s) of the Shares shall not:

(a) in the period commencing on the date with reference to which disclosure of our shareholding is made in this prospectus and ending on the date which is 6 months from the Listing Date (the "**First 6-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of 6 months commencing on the date on which the First 6-month Period expires (the "**Second 6-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company (as defined in the Listing Rules).

Each of the Controlling Shareholders has further undertaken to the Stock Exchange and our Company respectively that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(a) when he/she/it pledges/charges any Shares of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares of our Company so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, in the event that our Company has been informed of any matters referred to in Note (3) to Rule 10.07(2) of the Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 2.07C of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to and covenanted with each of the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, without the prior written consent of the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the Listing Rules and the applicable laws, except pursuant to the Global Offering, the Capitalisation Issue, the Stock Borrowing Agreement, or the allotment and issue of Shares upon the exercise of the Over-allotment Option or any option granted under the Share Option Scheme, our Company shall not:

(a) at any time during the First 6-month period:

(i) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or buyback, any of the share capital of our Company or any other securities of our Company convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, any such share capital or derivatives with the Shares as underlying securities; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraph (a)(i) or (a)(ii) above; whether any of the transactions described above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or publicly disclose that our Group will or may enter into any transaction described above; and

(b) at any time during the Second 6-month Period do any of the acts set out in paragraph (a) above, so as to result in the Controlling Shareholders (together with any of its associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company,

and in the event that our Company does any of the acts set out in paragraph (a) or (b) above after the expiry of the First 6-month Period or the Second 6-month Period, as the case may be, take all reasonable steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to and covenanted with each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

(a) during the First 6-month Period he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except pursuant to the Stock Borrowing Agreement:

(i) sell, transfer or dispose of, offer or contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or grant or agree to grant any options, warrants, rights, interests or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, or otherwise create or agree to create a mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (the "**Encumbrances**") over, or enter into any transaction or swap or other arrangement that transfers to another, or which is designed to, or might reasonably be expected to, result in the disposition of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), in whole or in part, either directly or indirectly, any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any other securities convertible into or exchangeable for or which carry a right to subscribe for, purchase, acquire or receive any such Shares or such securities (together, the "**Relevant Securities**") owned by him/her/it or any of his/her/its associates or in which he/she/it or any of his/her/its associates is, directly or indirectly, interested in immediately after the completion of the Capitalisation Issue, the Global Offering and the allotment and issue of any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities; or

(ii) sell, transfer or dispose of, offer to sell, contract to sell, transfer or dispose of, nor enter into any agreements to sell, transfer or dispose of or grant or agree to grant any options, warrants, rights or interests to purchase or subscribe for, lend or otherwise transfer or dispose of, or create or agree to create any Encumbrances, or enter into any transaction or swap or other arrangement that transfers to another, or which is designed to, or might reasonably be expected to, result in the disposition of whether by actual disposition or effective economic disposition due to cash settlement or otherwise), in whole or in part, either directly or indirectly any shares or interest in any company controlled by him/her/it or any of his/her/its associates which is the beneficial owner (directly or indirectly) of any Relevant Securities (or any other shares or securities of or interest in such company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); or

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (a)(i) or (a)(ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraph (a)(i), (a)(ii) or (a)(iii) above; and

(b) during the Second 6-month Period he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Joint Overall Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the Listing Rules,

(i) sell, transfer, dispose of, offer to sell, transfer or dispose of nor enter into any agreement to sell, transfer or dispose of or grant any options, warrants, rights or interests or create any Encumbrances (including the creation or entry into of any agreement to create any pledge or charge or Encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) in respect of any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) or would together with other Controlling Shareholders ceased to be a group of controlling shareholders (as defined in the Listing Rules) of our Company;

(ii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (b)(i) above announce any intention to enter into or effect any of the transactions referred to in paragraph (b)(i) above; and

(iii) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares.

In the event of a disposal by it of any of the Shares or securities or any interest therein during the Second 6-month Period, he/she/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

Indemnity

We have agreed to indemnify the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) will receive an underwriting commission (the "**Fixed Fees**") equal to 5.0% of the aggregate sale proceeds from the Global Offering (including any Shares to be issued pursuant to the exercise of the Over-allotment Option) (collectively, the "**Gross Proceeds**"). In addition, our Company may, at our sole and absolute discretion, pay to the Joint Overall Coordinators a discretionary incentive fee up to 3.0% of the Gross Proceeds (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable is therefore 60:40.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.30 (being the mid-point of our Offer Price range stated in this prospectus), the aggregate commissions and fees (including the discretionary incentive fee), together with the sponsor fees, the overall coordination fee, the Stock Exchange listing fees, brokerage, SFC transaction levy of 0.0027% per Offer Share, AFRC transaction levy of 0.00015% per Offer Share, Stock Exchange trading fee of 0.00565% per Offer Share, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK$54.3 million, which is subject to adjustment to be agreed by the Company, the Joint Overall Coordinators and other parties.

An aggregate amount of HK$3.5 million (excluding expenses) is payable by the Company as sponsor fees to the Sole Sponsor.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and save for the obligations under the Underwriting Agreements, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters, on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offering Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or is terminated, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in "Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement" in this section. See "Structure of the Global Offering — International Offering" in this prospectus.

Over-allotment Option and Stabilisation

For more details of the arrangements relating to the Over-allotment Option and stabilisation, see "Structure of the Global Offering" in this prospectus.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "**Syndicate Members**," may each individually undertake, and which do not form part of the underwriting or the stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period, see "Structure of the Global Offering" of this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Stabilisation Manager or its designated affiliate as the Stabilisation Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China Sunrise Capital Limited and China Sunrise Securities (International) Limited are the Joint Overall Coordinators of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold as mentioned in this prospectus.

125,000,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 12,500,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" below; and

(b) the International Offering of initially 112,500,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed "The International Offering" below.

Investors may either:

(a) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

(b) apply for or indicate an interest in International Offer Shares under the International Offering

but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme). If the Over-allotment Option is exercised in full and without taking into account the exercise of any option which may be granted under the Share Option Scheme, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 27.7% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-Allotment Option.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering — Reallocation" below.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 12,500,000 Hong Kong Offer Shares, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering.

The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided equally (to the nearest board lot) into 2 pools for allocation purposes, Pool A and Pool B with any odd board lots being allocated to Pool A:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less.

Poor B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in Pool B.

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the 2 pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 6,250,000 Hong Kong Offer Shares (being 50% of the 12,500,000 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares initially offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and the certain prescribed total demand levels are reached under the Hong Kong Public Offering subject to the following (the "**Mandatory Reallocation**"):

(a) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 37,500,000 Offer Shares, representing 30% of the total number of Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option);

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 50,000,000 Offer Shares, representing 40% of the total number of Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option); and

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be 62,500,000 Offer Shares, representing 50% of the total number of Offer Shares initially available under the Global Offering (before the exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange. In the event where (i) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; provided that the final Offer Price would be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.10 per Offer Share), up to 12,500,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 25,000,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In addition, the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) may in their sole and absolute discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters).

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, 7 March 2024.

Applications

The Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application for the Hong Kong Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be), or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channel), the maximum Offer Price of HK$1.50 per Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,787.82 for one board lot of 2,500 Shares. If the Offer Price, as finally determined in the manner described in "Pricing and Allocation" below, is less than the maximum Offer Price of HK$1.50 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See "How to apply for the Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of International Offer Shares to be initially offered under the International Offering will be 112,500,000, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme).

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be allotted and issued pursuant to the International Offering may change as a result of the clawback arrangement described in "The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part described in "Over-allotment Option" below, and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters).

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Overall Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 18,750,000 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 3.75% of our Company's enlarged issued share capital immediately following the completion of the Global Offering (and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme or the issue of any Shares pursuant to the Over-allotment Option). In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent any decline in the market price of the securities below the Offer Price. Such transactions may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

China Sunrise Securities (International) Limited has been appointed by us as the Stabilisation Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilisation Manager or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date in the open market. Short sales involve the sale by the Stabilisation Manager (or its affiliates or any person acting for it) of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilisation Manager (or its affiliates or any person acting for it) may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilisation Manager (or its affiliates or any person acting for it) will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising activity, if commenced, will be done at the absolute discretion of the Stabilisation Manager (or its affiliates or any person acting for it) and in what the Stabilisation Manager reasonably regards as the best interest of our Company and may be discontinued at any time.

Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 18,750,000 Offer Shares, which is 15% of the total number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules include:

(a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilising actions by the Stabilisation Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilisation Manager (or its affiliates or any person acting for it) may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilisation Manager (or its affiliates or any person acting for it) will maintain the long position is at the discretion of the Stabilisation Manager (or its affiliates or any person acting for it) and is uncertain. In the event that the Stabilisation Manager (or its affiliates or any person acting for it) liquidates this long position by making sales in the open market, this may lead to a adverse impact on the market price of the Shares.

Stabilising action by the Stabilisation Manager (or its affiliates or any person acting for it) is not permitted to support the price of the Shares for longer than the stabilising period, which will begin on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on Thursday, 4 April 2024. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilisation Manager (or its affiliates or any person acting for it) may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilisation Manager (or its affiliates or any person acting for it) may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Stabilisation Manager (or its affiliates or any person acting for it) may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within 7 days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilisation Manager or any person acting for it may choose to borrow up to 18,750,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Ka Lok BVI, pursuant to the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are to be complied with, which include:

(a) the stock borrowing arrangement must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from Ka Lok BVI by the Stabilisation Manager (or its affiliates or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed is returned to Ka Lok BVI or its nominee (as the case may be) within 3 business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;

(d) borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to Ka Lok BVI by the Stabilisation Manager (or its affiliates or any person acting for it) in relation to the stock borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 6 March 2024, by agreement between the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) and our Company.

The Offer Price will not be more than HK$1.50 per Offer Share and is expected to be not less than HK$1.10 per Offer Share.

Price Payable on Application

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channel), the maximum Offer Price of HK$1.50 per Hong Kong Offer Share (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%). If the Offer Price is less than HK$1.50, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to wholly or partially successful applications.

If, for any reason, our Company and the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Wednesday, 6 March 2024, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to publish on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.lscx.com.cn**, an announcement, cancel the offer and relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price range and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental prospectus or a new prospectus (as appropriate)). Upon issue of such announcement or supplemental prospectus (as appropriate), the number of the Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive, and the Offer Price, if agreed upon by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) of a reduction in the number of the Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such announcement or cancellation and relaunch of offer, the Offer Price, if agreed upon with our Company and the Joint Overall Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, 7 March 2024 on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.lscx.com.cn**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Joint Overall Coordinators, for themselves and on behalf of the other Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date, which is Wednesday, 6 March 2024.

For details of these underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, see "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any additional Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme, and such listing and permission not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Overall Coordinators (for themselves and on behalf of the other Underwriters) on or before 12:00 noon on Wednesday, 6 March 2024, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by our Company on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.lscx.com.cn** on the next Business Day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in "How to apply for the Hong Kong Offer Shares". In the meantime, all application monies received from the Hong Kong Public Offering will be held in a separate bank account(s) with the receiving bank or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised at or before that time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 8 March 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 8 March 2024. Our Shares will be traded in board lots of 2,500 Shares. The stock code of our Shares will be 2540.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.lscx.com.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address *(for the* ***White Form eIPO*** *service only)*;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or his/her/its close associates; or
- are a Director or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Thursday, 29 February 2024 and end at 12:00 noon on Tuesday, 5 March 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Applicants who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Thursday, 29 February 2024 to 11:30 a.m. on Tuesday, 5 March 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Tuesday, 5 March 2024, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Applicants who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorised the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in the Hong Kong Public Offering. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4[1] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii) the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

[1] Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Joint Overall Coordinators, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	2,500 Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$1.50 per Offer Share. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian. If you are applying through the **White Form eIPO** channel, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment HK$
2,500	3,787.82	40,000	60,605.10	200,000	303,025.50	1,000,000	1,515,127.50
5,000	7,575.63	45,000	68,180.73	250,000	378,781.88	1,500,000	2,272,691.26
7,500	11,363.46	50,000	75,756.38	300,000	454,538.26	2,000,000	3,030,255.00
10,000	15,151.28	60,000	90,907.66	350,000	530,294.63	2,500,000	3,787,818.76
12,500	18,939.10	70,000	106,058.93	400,000	606,051.00	3,000,000	4,545,382.50
15,000	22,726.91	80,000	121,210.20	450,000	681,807.38	3,500,000	5,302,946.26
17,500	26,514.73	90,000	136,361.48	500,000	757,563.76	4,000,000	6,060,510.00
20,000	30,302.56	100,000	151,512.76	600,000	909,076.50	4,500,000	6,818,073.76
25,000	37,878.19	125,000	189,390.93	700,000	1,060,589.26	5,000,000	7,575,637.50
30,000	45,453.83	150,000	227,269.13	800,000	1,212,102.00	5,500,000	8,333,201.26
35,000	53,029.47	175,000	265,147.31	900,000	1,363,614.76	6,250,000(1)	9,469,546.88

(1) Maximum number of the Hong Kong Offer Shares you may apply for.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of SFC transaction levy and in the case of AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "A. Applications for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or any person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Overall Coordinators, as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(b) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(c) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(d) confirm that you are aware of the restrictions on offers and sales of Shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(e) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(f) agree that the Sole Sponsor, the Joint Overall Coordinators, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the Hong Kong Branch Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to our Company, the Relevant Persons, the Hong Kong Branch Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "G — Personal Data — 3. Purposes and 4. Transfer of personal data" in this section;

(h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(i) agree that subject to Section 44A(6) of the Companies (WUMP) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Branch Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "B. Publication of Results" in this section;

(j) confirm that you are aware of the situations specified in the paragraph headed "C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither our Company nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(n) warrant that the information you have provided is true and accurate;

(o) confirm that you understand that our Company and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(p) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO channel**:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Thursday, 7 March 2024 to 12:00 midnight on Wednesday, 13 March 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.lscx.com.cn** which will provide links to the abovementioned websites of the Hong Kong Branch Share Registrar.	No later than 11:00 p.m. on Thursday, 7 March 2024 (Hong Kong time)
Telephone	+852 2862 8555 — the allocation results telephone enquiry line provided by the Hong Kong Branch Share Registrar.	Between 9:00 a.m. and 6:00 p.m. from Friday, 8 March 2024 to Wednesday, 13 March 2024 (Hong Kong time) (except Saturday, Sunday and public holidays in Hong Kong)

For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Wednesday, 6 March 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Wednesday, 6 March 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allotment Announcement

Our Company expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.lscx.com.cn** by no later than 11:00 p.m. on Thursday, 7 March 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (WUMP) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Joint Overall Coordinators, the Hong Kong Branch Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Overall Coordinators believe that by accepting your application, they or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of the Relevant Persons, the Hong Kong Branch Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Friday, 8 March 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Despatch/collection of Share Certificate[1]		
For physical share certificates of equal or over 1,000,000 Hong Kong Offer Shares issued under your own name	Collection in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong **Time:** from 9:00 a.m. to 1:00 p.m. on Friday, 8 March 2024 (Hong Kong time)[2] If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. **Note:** If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	White Form eIPO service	HKSCC EIPO channel
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Time:** Thursday, 7 March 2024	

Refund mechanism for surplus application monies paid by you

Date	Friday, 8 March 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Branch Share Registrar	Your broker or custodian
Application monies paid through single bank account	Refund monies will despatched to your designated bank account in the form of e-Refund payment instructions.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

Notes:

1. Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an "extreme conditions" announcement issued after a super typhoon in force in Hong Kong in the morning on the Listing Date rendering it impossible for the relevant Share certificates to be despatched to HKSCC in a timely manner, our Company shall procure the Hong Kong Branch Share Registrar to arrange delivery of the supporting documents and share certificates in accordance with the contingency arrangement as agreed between them. For further details, please refer to the paragraph headed "E. Severe Weather Arrangements" in this section.

2. As agreed with our Company and communicated to the subscribers in the relevant subscription channel.

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Tuesday, 5 March 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- an "extreme conditions" announcement issued after a super typhoon ("**Extreme Conditions**"),

(collectively, the "**Severe Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 March 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have Severe Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.lscx.com.cn** of the revised timetable.

If a Severe Weather Signal is hoisted on the business day before Listing (i.e. Thursday, 7 March 2024), the Hong Kong Branch Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS Depository's service counter so that they would be available for trading on the Listing Date (i.e. Friday, 8 March 2024).

If a Severe Weather Signal is hoisted on Friday, 8 March 2024: for physical Share certificates of equal or over 1,000,000 Hong Kong Offer Shares issued under your own name, you may pick them up from the Hong Kong Branch Share Registrar's office after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, 8 March 2024 or on Monday, 11 March 2024).

If a Severe Weather Signal is hoisted on Thursday, 7 March 2024: for physical Share certificates of less than 1,000,000 Hong Kong Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the Severe Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 7 March 2024 or on Friday, 8 March 2024).

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Branch Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or our agents and the Hong Kong Branch Share Registrar is accurate and up-to-date when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and White Form e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Branch Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Branch Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Branch Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Branch Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Branch Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-45, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LESI GROUP LIMITED AND CHINA SUNRISE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Lesi Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") set out on pages I-4 to I-45, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021, 2022 and 30 September 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2020, 2021, 2022 and the nine months ended 30 September 2023 (the "**Track Record Period**"), and a summary of material accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-45, forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 February 2024 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's and the Company's financial position as at 31 December 2020, 2021, 2022 and 30 September 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended 30 September 2022 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review 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 HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 19(g) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 February 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of comprehensive income

(Expressed in RMB)

		Year ended 31 December			Nine months ended 30 September	
		2020	**2021**	**2022**	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	377,667	470,180	492,570	350,671	497,261
Cost of services		(300,810)	(376,489)	(389,517)	(285,409)	(420,234)
Gross profit		76,857	93,691	103,053	65,262	77,027
Other net income	*5*	4,567	4,660	4,978	3,135	1,292
Selling and marketing expenses		(2,951)	(3,863)	(4,244)	(3,043)	(2,481)
General and administrative expenses		(22,059)	(23,910)	(26,054)	(18,137)	(17,854)
Impairment losses on trade and other receivables		(1,722)	(7,677)	(5,129)	(4,645)	(6,134)
Profit from operations		54,692	62,901	72,604	42,572	51,850
Finance costs	*6(a)*	(3,018)	(3,232)	(1,591)	(1,211)	(1,375)
Profit before income tax	*6*	51,674	59,669	71,013	41,361	50,475
Income tax	*7*	(1,901)	(2,181)	(2,706)	(1,365)	(1,564)
Profit for the year/period		49,773	57,488	68,307	39,996	48,911

		Year ended 31 December			Nine months ended 30 September	
		2020	2021	2022	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Profit for the year/period		49,773	57,488	68,307	39,996	48,911
Other comprehensive income for the year/period (after tax)						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference on translation into presentation currency		3	(1)	(118)	(226)	169
Other comprehensive income for the year/period		3	(1)	(118)	(226)	169
Total comprehensive income for the year/period		49,776	57,487	68,189	39,770	49,080
Profit for the year/period attributable to:						
— Equity shareholders of the Company		49,773	57,488	67,290	39,889	48,419
— Non-controlling interests		—	—	1,017	107	492
		49,773	57,488	68,307	39,996	48,911
Total comprehensive income for the year/period attributable to:						
— Equity shareholders of the Company		49,776	57,487	67,172	39,663	48,588
— Non-controlling interests		—	—	1,017	107	492
		49,776	57,487	68,189	39,770	49,080
Earnings per share	*10*					
Basic and diluted (RMB)		2.5	2.9	3.4	2.0	2.4

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in RMB)

		At 31 December			At 30 September
		2020	2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property and equipment	*11*	700	789	553	540
Right-of-use assets	*12*	685	3,428	2,790	1,330
Deferred tax assets	*18(b)*	98	704	189	507
		1,483	4,921	3,532	2,377
Current assets					
Trade and other receivables	*13*	355,262	404,014	439,893	554,796
Restricted bank deposit		423	—	5	7
Cash and cash equivalents	*14(a)*	25,896	55,908	59,195	14,635
		381,581	459,922	499,093	569,438
Current liabilities					
Trade and other payables	*15*	82,750	106,799	92,190	88,721
Contract liabilities	*4*	12,996	16,136	6,394	13,768
Bank and other loans	*16*	47,684	39,876	33,180	50,460
Lease liabilities	*17*	647	1,607	2,282	1,162
Income tax payable	*18(a)*	2,150	4,074	5,756	6,371
Deferred income		423	—	—	—
		146,650	168,492	139,802	160,482
Net current assets		234,931	291,430	359,291	408,956
Total assets less current liabilities		236,414	296,351	362,823	411,333
Non-current liabilities					
Lease liabilities	*17*	58	2,071	572	—
Deferred tax liabilities	*18(b)*	299	736	477	479
		357	2,807	1,049	479
Net assets		236,057	293,544	361,774	410,854
Equity					
Share capital	*19*	5,796	5,796	130	130
Reserves	*19*	230,261	287,748	360,389	408,977
Total equity attributable to equity shareholders of the Company		236,057	293,544	360,519	409,107
Non-controlling interests		—	—	1,255	1,747
Total equity		236,057	293,544	361,774	410,854

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company
(Expressed in RMB)

		As at 31 December			At 30 September
		2020	2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Investment in a subsidiary	*1*	13	13	1,263	1,263
		13	13	1,263	1,263
Current assets					
Other receivables		82	837	132	1,271
Cash and cash equivalents		—	—	—	14
		82	837	132	1,285
Current liabilities					
Other payables	*15*	13	3,038	6,644	10,522
		13	3,038	6,644	10,522
Net current assets/(liabilities)		69	(2,201)	(6,512)	(9,237)
Total assets less current liabilities		82	(2,188)	(5,249)	(7,974)
Net assets/(liabilities)		82	(2,188)	(5,249)	(7,974)
Equity					
Share capital	*19*	82	82	130	130
Reserves	*19*	—	(2,270)	(5,379)	(8,104)
Total equity/(deficit)		82	(2,188)	(5,249)	(7,974)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (Note 19(a))	Share premium RMB'000 (Note 19(b))	Capital reserve RMB'000 (Note 19(c))	Exchange reserve RMB'000 (Note 19(d))	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		5,714	—	19,286	(1)	161,200	186,199	—	186,199
Issuance of shares	19(a)	82	—	—	—	—	82	—	82
Profit for the year		—	—	—	—	49,773	49,773	—	49,773
Other comprehensive income		—	—	—	3	—	3	—	3
Balance at 31 December 2020 and 1 January 2021		5,796	—	19,286	2	210,973	236,057	—	236,057
Profit for the year		—	—	—	—	57,488	57,488	—	57,488
Other comprehensive income		—	—	—	(1)	—	(1)	—	(1)
Balance at 31 December 2021 and 1 January 2022		5,796	—	19,286	1	268,461	293,544	—	293,544
Issuance of shares	19(a)	41	—	—	—	—	41	—	41
Issuance of ordinary shares to shareholders of the Company in connection with the Reorganisation		7	1,243	—	—	—	1,250	—	1,250
Effect of Reorganisation		(5,714)	—	4,226	—	—	(1,488)	238	(1,250)
Profit for the year		—	—	—	—	67,290	67,290	1,017	68,307
Other comprehensive income		—	—	—	(118)	—	(118)	—	(118)
Balance at 31 December 2022 and 1 January 2023		130	1,243	23,512	(117)	335,751	360,519	1,255	361,774
Profit for the period		—	—	—	—	48,419	48,419	492	48,911
Other comprehensive income		—	—	—	169	—	169	—	169
Balance at 30 September 2023		130	1,243	23,512	52	384,170	409,107	1,747	410,854
(Unaudited)									
Balance at 1 January 2022		5,796	—	19,286	1	268,461	293,544	—	293,544
Issuance of shares	19(a)	41	—	—	—	—	41	—	41
Issuance of ordinary shares to shareholders of the Company in connection with the Reorganisation		7	1,243	—	—	—	1,250	—	1,250
Effect of Reorganisation		(5,714)	—	4,226	—	—	(1,488)	238	(1,250)
Profit for the period		—	—	—	—	39,889	39,889	107	39,996
Other comprehensive income		—	—	—	(226)	—	(226)	—	(226)
Balance at 30 September 2022		130	1,243	23,512	(225)	308,350	333,010	345	333,355

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

		Year ended 31 December			Nine months ended 30 September	
		2020	2021	2022	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Net cash (used in)/generated from operations	*14(b)*	(13,697)	43,671	15,292	13,785	(56,126)
Income tax paid	*18(a)*	(610)	(426)	(768)	(756)	(1,265)
Net cash (used in)/generated from operating activities		(14,307)	43,245	14,524	13,029	(57,391)
Cash flows from investing activities						
Payment for the purchase of property and equipment		(178)	(387)	(38)	(37)	(132)
Loans to third parties		(94,200)	(44,000)	—	—	—
Loans repaid by third parties		94,700	44,000	—	—	—
Interest from third parties received		66	232	—	—	—
Proceeds from sale of property and equipment		—	—	14	—	—
Net cash generated from/(used in) investing activities		388	(155)	(24)	(37)	(132)
Cash flows from financing activities						
Proceeds from bank and other loans	*14(c)*	102,148	129,947	28,600	13,600	31,800
Repayment of bank and other loans	*14(c)*	(94,238)	(137,697)	(35,460)	(25,460)	(14,700)
Capital element of lease rentals paid	*14(c)*	(1,359)	(1,368)	(1,863)	(1,346)	(1,692)
Interest paid	*14(c)*	(2,202)	(2,048)	(1,186)	(866)	(1,195)
Transaction fees paid	*14(c)*	(545)	(1,164)	(240)	—	—
Listing expenses paid		—	(747)	(1,058)	(852)	(1,248)
Net cash generated from/(used in) financing activities		3,804	(13,077)	(11,207)	(14,924)	12,965
Net (decrease)/increase in cash and cash equivalents		(10,115)	30,013	3,293	(1,932)	(44,558)
Cash and cash equivalents at the beginning of the year/period		36,016	25,896	55,908	55,908	59,195
Effect of foreign exchange rate changes		(5)	(1)	(6)	(7)	(2)
Cash and cash equivalents at the end of the year/period	*14*	25,896	55,908	59,195	53,969	14,635

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Lesi Group Limited (the ''Company'', formerly known as ''Lesi Technology Holdings Limited'' and ''Evercreate Technology Limited'') was incorporated in the Cayman Islands on 22 June 2020 as an exempted company with limited liability.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. The Company and its subsidiaries (together, ''the Group'') are principally engaged in the provision of mobile advertising services.

Prior to the incorporation of the Company, the principal business of the Group has been operated under Beijing Lesimedia Technology Co., Ltd. (''Beijing Lesimedia'') and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Company was incorporated and underwent a corporate reorganisation (the ''Reorganisation''), as detailed in the section headed ''History and development'' in the Prospectus. Upon completion of the Reorganisation on 21 July 2022, the Company became the holding company of the companies now comprising the Group. Beijing Lesimedia was controlled by Mr. Zhao Libing (Mr. Zhao) before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and business of the Group. The Reorganisation involved inserting some newly formed entities with no substantive operations as the new holding company of Beijing Lesimedia. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Beijing Lesimedia and its subsidiaries with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021, 2022 and 30 September 2023 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company. Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment and operations	Particulars of registered/paid up capital	Proportion of ownership interest indirectly held by the Company	Principal activities
Beijing Lesimedia (北京樂思創信科技有限公司)	The People's Republic of China (''PRC''), 9 January 2009	RMB5,714,300/ RMB5,714,300	99.05%	Mobile advertising services
Khorgos Lechuang Information Technology Co., Ltd. (霍爾果斯樂創信息科技有限公司)	PRC, 9 January 2017	RMB3,000,000/ RMB–	99.05%	Mobile advertising services
Beijing Lexiao Information Technology Co., Ltd. (北京樂效信息科技有限公司)	PRC, 26 June 2018	RMB1,000,000/ RMB1,000,000	99.05%	Mobile advertising services
Khorgos Lemon Technology Co., Ltd. (霍爾果斯檸檬科技有限公司)	PRC, 23 July 2020	RMB3,050,000/ RMB–	99.05%	Mobile advertising services
Hunan Lesimedia Technology Co., Ltd. (湖南樂思創信科技有限公司)	PRC, 9 November 2021	RMB2,000,000/ RMB–	99.05%	Mobile advertising services

All these principal subsidiaries are limited liability companies established in the PRC. There are no statutory financial statements prepared for these companies during the Track Record Period.

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

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards (''IFRSs'') issued by the International Accounting Standards Board (''IASB''). Further details of the material accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised accounting standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised accounting standards to the Track Record Period, except for any amendments that are not yet effective for the accounting period beginning on 1 January 2023. The revised accounting standards issued but not yet effective for the accounting period beginning on 1 January 2023 and which are not yet adopted by the Group are set out in Note 22.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement and presentation

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The Company has its functional currency in Hong Kong dollars. As majority of the Group's operations are conducted by the Group's subsidiaries in the PRC in RMB, the Historical Financial Information is presented in RMB.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(i) or 2(k), depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary it is accounted for as a disposal of the entire interest in that subsidiary with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(f)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(f)(ii)).

The cost of self-constructed items of property and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(q)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Office equipment	5 years
— Motor vehicles	5 years
— Right-of-use assets	Shorter of assets' useful life or the lease term

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group, as a lessee, recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation (see Note 2(d)) and impairment losses (see Note 2(f)(ii)). The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the contract of the right-of-use assets reflects that the Group will exercise a purchase option. In that case the right-of-use assets will be depreciated over the useful life of the underlying asset.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(f) Credit loss and impairment of assets

(i) Credit loss from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(o)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property and equipment;

— right-of-use assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the assets' recoverable amount is estimate.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be one on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 2(o)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(h)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(o)).

(h) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stared at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(f)(i)).

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoiced amounts.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within 3 months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(f)(i).

(k) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(q)).

(l) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of 1 or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The method the Group recognises revenue from its mobile advertising services is affected by the role under each contract with customers. For contracts where the Group acts as a principal, the Group recognises revenue on a gross basis, while for contracts where the Group is acting as an agent, the Group recognises revenue on a net basis.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

The Group takes advantage of the practical expedient in paragraph 94 of IFRS 15 and recognise the incremental costs of obtaining a contract as an expense if the amortisation of the asset is less than 1 year.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Mobile advertising solutions services

The Group provides mobile advertising solutions services, including traffic acquisition from media platforms, content production and advertising campaign optimisation to its customers. The Group recognises revenue when the Group satisfies a performance obligation by transferring the promised service to a customer.

In the arrangement which the Group is acting as a principal and is the primary obligor and responsible for fulfilling the contract, has the power to control the process of content generation that meet the customer's need, revenue is determined based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of any trade discounts and rebates to advertisers. The Group has control in the specified service before that service is delivered to the advertiser and acts as the principal of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a gross basis.

(ii) Advertisement distribution services

The Group provides traffic acquisition service to distribute the advertisements produced by the advertisers. The advertisements are published on the targeted media platforms as determined by the advertisers.

The Group does not control the specified service before the service is delivered to the customer. The Group acts as an agent and reports the amount received from the customers and amounts paid to the media partners related to these transactions on a net basis.

(iii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(f)(i)).

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and subsequently recognised in profit or loss over the useful life of the asset.

Significant judgements in the determination of revenue recognition on gross or net basis are set out in Note 3.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, expect those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

(r) Research and development expenses

Expenditure on research activities is recognised in profit or loss as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. Other development expenditure is recognised as an expense in the period in which it is incurred.

(s) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

a. has control or joint control over the Group;

b. has significant influence over the Group; or

c. is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

a. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

c. Both entities are joint ventures of the same third party.

d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

f. The entity is controlled or jointly controlled by a person identified in Note 2(s)(i).

g. A person identified in Note 2(s)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

h. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision-maker ("CODM"), who is responsible for allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group determined that it only has 1 operating segment during the Track Record Period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following significant accounting judgements and estimates:

(a) Critical accounting judgements in applying the Group's accounting policies

(i) Determination of revenue recognition on gross or net basis

As disclosed in 2(o), the Group provides mobile advertising services to its customers, which involve the assessment of revenue recognition on a gross or net basis, i.e. principal vs 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 customer, the indicators of which include but not limited to (a) whether the Group is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the Group has inventory risk before the specified service has been transferred to a customer; and (c) whether the Group has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgment when assessing the indicators depending on each different circumstance.

(b) Sources of estimation uncertainty

(i) Rebate from media partners

Media partners may grant the Group rebates in various forms. The Group records such rebates as reduction of cost of services under gross basis (where the Group acts as principal), or as revenue under net basis (where the Group acts as agent). The rebates earned by the Group from media partners come with a variety of structures and rates, which are primarily determined based on the contract terms with these media partners, their applicable rebate policies, the business performances of the Group and the discretionary incentive programmes as set up by the media partners.

The Group accrues rebates from media partners based on evaluation as to whether the contractually stipulated thresholds of advertising spend are likely to being reached, or other benchmarks or certain prescribed classification are likely to being qualified. This determination requires significant judgement and estimation. In making this judgement and estimation, the Group evaluates based on the past experience and regular monitoring of various performance factors set within the rebate policies. The actual rebates may be higher or lower than estimated at the end of reporting period, which would affect the revenue or cost of sales recognised in future years as an adjustment to the amounts recorded to date.

(ii) Allowance for credit losses

Management estimates credit loss allowance using a provision matrix based on the Group's historical credit loss experience, included customer credit-worthiness, and historical write-off experience, and adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial conditions of the customers were to deteriorate, additional allowance may be required.

4 REVENUE

(a) Revenue from contracts with customers

The principal activities of the Group are providing mobile advertising solutions services and advertisement distribution services to customers. The amount of each significant category of revenue from contracts with customers within scope of IFRS 15 recognised at a point in time is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Mobile advertising solutions services — gross method	343,438	433,250	454,156	325,742	477,306
Advertisement distribution services — net method	34,229	36,930	38,414	24,929	19,955
	377,667	470,180	492,570	350,671	497,261

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Track Record Period is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Customer A	117,234	90,013	*	*	57,992
Customer D	111,832	*	*	*	*
Customer H	*	112,646	80,366	68,389	*
Customer I	*	56,267	*	*	*
Customer J	*	*	53,880	*	*
Customer M	*	*	*	*	202,772

* *Less than 10% of the Group's revenue in the respective period.*

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sale contracts have an original expected duration of less than 1 year.

(b) Geographic information

The Group's operations are mainly located in the PRC. All of the Group's revenue is generated from its external customers in the PRC and the Group's non-current assets are located in the PRC.

(c) Contract liabilities related to contacts with customers

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

All contract liabilities at the beginning of each reporting period were recognised as revenue in the respective reporting period.

5 OTHER NET INCOME

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	379	210	146	118	126
Additional deductible value added tax ("VAT") *(Note)*	4,313	4,753	3,794	2,276	1,712
Others	(125)	(303)	1,038	741	(546)
	4,567	4,660	4,978	3,135	1,292

Note:

Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the Group's subsidiaries, as modern service companies, qualify for additional 10% deduction of input VAT from output VAT during the years ended 31 December 2020 and 2021. In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration Regarding the VAT Policies for Promoting the Bailout and Development of Distressed Industries in the Service Sector ([2022] No. 11), the above policies are extended to 31 December 2022. According to the Announcement of the Ministry of Finance and the State Taxation Administration ([2023] No. 1), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023. The additional deduction is recognised as other income.

6 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expense	2,956	3,096	1,434	1,096	1,296
Interest on lease liabilities	62	136	157	115	79
	3,018	3,232	1,591	1,211	1,375

(b) Staff costs

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, wages and other benefits	17,590	21,181	19,891	13,729	13,761
Contributions to defined contribution retirement plan	285	2,374	2,657	1,865	1,931
	17,875	23,555	22,548	15,594	15,692

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

In an effort to provide support to enterprises during the COVID-19 pandemic, the PRC government authorities have granted partial exemption to the contributions to social insurance, including the contribution to retirement scheme, during the period from February 2020 to December 2020.

(c) Other items

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation of property and equipment and right-of-use assets	1,618	1,853	1,922	1,360	1,604
Impairment losses on trade and other receivables	1,722	7,677	5,129	4,645	6,134
Listing expenses	—	8,454	10,997	9,038	8,111

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Income tax in the consolidated statements of comprehensive income represents:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax	1,734	2,350	2,450	2,004	1,880
Deferred tax	167	(169)	256	(639)	(316)
Income tax expense	1,901	2,181	2,706	1,365	1,564

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before taxation	51,674	59,669	71,013	41,361	50,475
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	12,920	15,486	18,832	11,125	13,346
Tax effect of:					
Non-deductible expenses	304	598	219	120	409
Additional deductible allowance for research and development expenses	(666)	(826)	(1,771)	(522)	(1,086)
Utilisation of temporary differences previously not recognised	—	—	(509)	(509)	(32)
Statutory tax concession	(10,872)	(13,090)	(14,129)	(8,867)	(11,085)
Others	215	13	64	18	12
Actual tax expense	1,901	2,181	2,706	1,365	1,564

In accordance with the Enterprise Income Tax Law ("Income Tax Law") of the PRC, the statutory income tax rate is 25%. The group entities in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to the rules and regulations of Khorgos, Khorgos Lechuang Information Technology Co., Ltd. and Khorgos Lemon Technology Co., Ltd. are entitled to a tax-free period from 2017 to 2021 and 2020 to 2024, respectively. Khorgos Lechuang Information Technology Co., Ltd. also enjoys a preferential tax rate of 15% from 2022 to 2026.

According to the Income Tax Law, entities that qualified as high-tech enterprises enjoy a preferential tax rate of 15%. Beijing Lesimedia is recognised as a high-tech enterprise and enjoyed the preferential tax rate from December 2020 to October 2026.

In addition, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From 1 October 2022, according to the announcement published by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology ([2022] No. 28), deductible rate increased from 75% to 100%. The deductible rate of 100% becomes a long term applicable rate, confirmed by the announcement issued by the Ministry of Finance and the State Taxation Administration in 2023 ([2023] No. 7).

Taxation for group entities in other tax jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

Year ended 31 December 2020

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Libing	—	949	20	4	973
Mr. Yu Canliang	—	238	20	2	260
Mr. Nie Jiang	—	477	50	2	529
Ms. Shu Qing	—	161	12	1	174
	—	1,825	102	9	1,936

Year ended 31 December 2021

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Libing	—	295	140	38	473
Mr. Yu Canliang	—	295	140	38	473
Mr. Nie Jiang	—	675	50	53	778
Ms. Shu Qing	—	187	120	25	332
	—	1,452	450	154	2,056

Year ended 31 December 2022

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Libing	—	313	140	60	513
Mr. Yu Canliang	—	313	140	60	513
Mr. Nie Jiang	—	673	50	60	783
Ms. Shu Qing	—	233	120	47	400
Non-executive director					
Ms. Chang Qing	—	—	—	—	—
	—	1,532	450	227	2,209

	Nine months ended 30 September 2023				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Libing	—	230	—	40	270
Mr. Yu Canliang	—	910	—	40	950
Mr. Nie Jiang	—	508	—	48	556
Ms. Shu Qing	—	146	—	26	172
Non-executive director					
Ms. Chang Qing	—	—	—	—	—
	—	1,794	—	154	1,948

	Nine months ended 30 September 2022 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zhao Libing	—	234	—	44	278
Mr. Yu Canliang	—	234	—	44	278
Mr. Nie Jiang	—	504	—	44	548
Ms. Shu Qing	—	180	—	35	215
Non-executive director					
Ms. Chang Qing	—	—	—	—	—
	—	1,152	—	167	1,319

The directors of the Company were appointed on the following dates.

Executive directors	**Date of appointment**
Mr. Zhao Libing	30 June 2020
Mr. Yu Canliang	30 June 2020
Mr. Nie Jiang	1 August 2022
Ms. Shu Qing	1 August 2022

Non-executive director	**Date of appointment**
Ms. Chang Qing	1 August 2022

Independent non-executive directors	**Date of appointment**
Mr. Lu Yao	20 February 2024
Ms. Zheng Hong	20 February 2024
Mr. Hu Hui	20 February 2024

The directors' emoluments represented the amounts paid or payable for their services rendered to the Group during the Track Record Period, including those for services rendered by them as key management personnel prior to their appointments as directors of the Company.

There was no incentive payment for joining the Group or compensation for loss of office paid or payable to any of the directors during the Track Record Period. There was no arrangement under which a director has waived or agreed to waive any remuneration during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The 5 individuals whose emoluments were the highest in the Group include 2, 3, 3, 1 (unaudited), and 2 directors for the years ended 31 December 2020, 2021, 2022 and nine months ended 30 September 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining 3, 2, 2, 4 (unaudited), and 3 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	1,036	1,080	1,089	1,436	1,197
Discretionary bonuses	248	259	31	—	—
Retirement scheme contributions	12	106	110	144	142
	1,296	1,445	1,230	1,580	1,339

The emoluments of the above individuals with the highest emoluments are respectively within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	3	2	2	4	3

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the 5 highest paid individuals during the Track Record Period.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the Track Record Period is based on the profit for the year attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As disclosed in Note 1 and Note 19(a), the Group underwent a Reorganisation in July 2022 and the Company became the holding company of the Group by issuing 20,000,000 shares to the owners of the Group. For the purpose of calculating basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be in issue in the Track Record Period was determined as if the exchange had retrospectively occurred on 1 January 2020.

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
Profit attributable to ordinary equity shareholders of the Company *(RMB'000)*	49,773	57,488	67,290	39,889	48,419
Weighted average number of ordinary shares (deemed to be) in issue *('000)*	20,000	20,000	20,000	20,000	20,000
Basic earnings per share (expressed in RMB per share)	2.5	2.9	3.4	2.0	2.4

The basic earnings per share have not been adjusted for the proposed capitalisation issue disclosed in Note 23.

(b) Diluted earnings per share

Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the Track Record Period.

11 PROPERTY AND EQUIPMENT

	Office equipment *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost:			
At 1 January 2020	862	556	1,418
Additions	177	—	177
At 31 December 2020 and 1 January 2021	1,039	556	1,595
Additions	360	—	360
Disposals	(79)	—	(79)
At 31 December 2021 and 1 January 2022	1,320	556	1,876
Additions	34	—	34
Disposals	(98)	—	(98)
At 31 December 2022 and 1 January 2023	1,256	556	1,812
Additions	131	—	131
At 30 September 2023	1,387	556	1,943

	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
Accumulated depreciation:			
At 1 January 2020	260	374	634
Charge for the year	172	89	261
At 31 December 2020 and 1 January 2021	432	463	895
Charge for the year	216	39	255
Written back on disposals	(63)	—	(63)
At 31 December 2021 and 1 January 2022	585	502	1,087
Charge for the year	219	26	245
Written back on disposals	(73)	—	(73)
At 31 December 2022 and 1 January 2023	731	528	1,259
Charge for the period	144	—	144
At 30 September 2023	875	528	1,403
Net book value:			
At 31 December 2020	607	93	700
At 31 December 2021	735	54	789
At 31 December 2022	525	28	553
At 30 September 2023	512	28	540

12 RIGHT-OF-USE ASSETS

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
At 1 January	1,606	685	3,428	3,428	2,790
Additions	436	4,341	1,039	1,039	—
Depreciation for the year/period	(1,357)	(1,598)	(1,677)	(1,164)	(1,460)
At 31 December/30 September	685	3,428	2,790	3,303	1,330

The right-of-use assets represented the leased office premises.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation charge of right-of-use assets	1,357	1,598	1,677	1,164	1,460
Short-term lease	211	581	634	489	394
Interest on lease liabilities	62	136	157	115	79

The addition of right-of-use assets during the Track Record Period represent the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and maturity analysis of lease liabilities are set out in Notes 14(d) and 17 respectively.

13 TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 September
		2020	2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*(a)*	176,066	183,034	157,833	168,389
Prepayments to suppliers	*(b)*	146,726	179,316	251,084	334,508
Deposits paid to media partners		20,944	22,478	10,024	7,810
Deductible input VAT		4,966	5,848	7,297	6,478
Listing expenses to be capitalised		—	2,617	3,982	6,649
Rebates due from media partners		5,136	9,627	8,001	26,689
Amounts due from shareholder *(Note 21)*		82	82	123	123
Other deposits		879	876	1,097	3,121
Others		463	136	452	1,029
		355,262	404,014	439,893	554,796

All of the trade and other receivables are expected to be recovered or recognised as expense within 1 year.

(a) Ageing analysis of trade receivables

As of the end of each reporting period, the ageing analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	151,502	153,321	143,160	121,300
6 months to 12 months	20,768	18,544	11,496	41,756
12 months to 24 months	3,796	11,169	3,177	5,333
More than 24 months	—	—	—	—
	176,066	183,034	157,833	168,389

The credit terms agreed with customers are normally 0–90 days from the date of invoicing. No interests are charged on the trade receivables. Further details on the Group's credit policy are set out in Note 20(a). During the year ended 31 December 2022, the Group factored trade receivables of RMB48.3 million to a financial institution without recourse and the receivables were derecognised in its entirety.

(b) Prepayments to suppliers mainly represented the traffic acquisition costs prepaid for the customers of the Group.

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	1.6%	2.4%	2.9%	3.0%
Prepayments to suppliers	149,118	183,791	258,713	344,904
Provision made	(2,392)	(4,475)	(7,629)	(10,396)
Prepayments to suppliers, net of provision made	146,726	179,316	251,084	334,508

14 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	At 31 December			At 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	219	46	—	—
Cash at bank	25,677	55,862	59,195	14,635
	25,896	55,908	59,195	14,635

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before income tax	51,674	59,669	71,013	41,361	50,475
Adjustments for:					
Impairment losses on trade and other receivables	1,722	7,677	5,129	4,645	6,134
Depreciation	1,618	1,853	1,922	1,360	1,604
Finance costs	3,018	3,232	1,591	1,211	1,375
Interest income from third parties	(250)	(48)	—	—	—
Net loss on disposal of property and equipment	—	15	12	—	—
Changes in working capital:					
Changes in trade and other receivables	(37,522)	(54,603)	(39,125)	(37,159)	(118,687)
Changes in restricted bank deposit	(409)	423	(5)	—	(2)
Changes in trade and other payables	(29,532)	22,736	(15,503)	4,184	(4,399)
Changes in contract liabilities	(4,425)	3,140	(9,742)	(1,817)	7,374
Changes in deferred income	409	(423)	—	—	—
Cash (used in)/generated from operations	(13,697)	43,671	15,292	13,785	(56,126)

(c) Reconciliation of liabilities arising from financing activities:

	Bank and other loans	Interest payable	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 16)	*(Note 15)*	*(Note 17)*	
At 1 January 2020	39,527	24	1,628	41,179
Changes from financing cash flows:				
Proceeds from bank and other loans	102,148	—	—	102,148
Repayment of bank and other loans	(94,238)	—	—	(94,238)
Capital element of lease rentals paid	—	—	(1,359)	(1,359)
Interest paid	—	(2,140)	(62)	(2,202)
Transaction fees paid	(545)	—	—	(545)
Total changes from financing cash flows	7,365	(2,140)	(1,421)	3,804
Other changes:				
Interest expenses *(Note 6)*	792	2,164	62	3,018
Increase in lease liabilities from entering into new leases	—	—	436	436
Total other changes	792	2,164	498	3,454
At 31 December 2020	47,684	48	705	48,437
At 1 January 2021	47,684	48	705	48,437
Changes from financing cash flows:				
Proceeds from bank and other loans	129,947	—	—	129,947
Repayment of bank and other loans	(137,697)	—	—	(137,697)
Capital element of lease rentals paid	—	—	(1,368)	(1,368)
Interest paid	—	(1,912)	(136)	(2,048)
Transaction fees paid	(1,164)	—	—	(1,164)
Total changes from financing cash flows	(8,914)	(1,912)	(1,504)	(12,330)
Other changes:				
Interest expenses *(Note 6)*	1,106	1,990	136	3,232
Increase in lease liabilities from entering into new leases	—	—	4,341	4,341
Total other changes	1,106	1,990	4,477	7,573
At 31 December 2021	39,876	126	3,678	43,680

	Bank and other loans *RMB'000* *(Note 16)*	Interest payable *RMB'000* *(Note 15)*	Lease liabilities *RMB'000* *(Note 17)*	Total *RMB'000*
At 1 January 2022	39,876	126	3,678	43,680
Changes from financing cash flows:				
Proceeds from bank and other loans	28,600	—	—	28,600
Repayment of bank and other loans	(35,460)	—	—	(35,460)
Capital element of lease rentals paid	—	—	(1,863)	(1,863)
Interest paid	—	(1,029)	(157)	(1,186)
Transaction fees paid	(240)	—	—	(240)
Total changes from financing cash flows	(7,100)	(1,029)	(2,020)	(10,149)
Other changes:				
Interest expenses *(Note 6)*	404	1,030	157	1,591
Increase in lease liabilities from entering into new leases	—	—	1,039	1,039
Total other changes	404	1,030	1,196	2,630
At 31 December 2022	33,180	127	2,854	36,161
At 1 January 2023	33,180	127	2,854	36,161
Changes from financing cash flows:				
Proceeds from bank and other loans	31,800	—	—	31,800
Repayment of bank and other loans	(14,700)	—	—	(14,700)
Capital element of lease rentals paid	—	—	(1,692)	(1,692)
Interest paid	—	(1,116)	(79)	(1,195)
Total changes from financing cash flows	17,100	(1,116)	(1,771)	14,213
Other changes:				
Interest expenses *(Note 6)*	180	1,116	79	1,375
Total other changes	180	1,116	79	1,375
At 30 September 2023	50,460	127	1,162	51,749
(Unaudited)				
At 1 January 2022	39,876	126	3,678	43,680
Changes from financing cash flows:				
Proceeds from bank and other loans	13,600	—	—	13,600
Repayment of bank and other loans	(25,460)	—	—	(25,460)
Capital element of lease rentals paid	—	—	(1,346)	(1,346)
Interest paid	—	(751)	(115)	(866)
Total changes from financing cash flows	(11,860)	(751)	(1,461)	(14,072)
Other changes:				
Interest expenses *(Note 6)*	344	752	115	1,211
Increase in lease liabilities from entering into new leases	—	—	1,039	1,039
Total other changes	344	752	1,154	2,250
At 30 September 2022	28,360	127	3,371	31,858

(d) Total cash outflow for leases

Amounts included in the cash flow statements for lease rental paid are as follows

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within operating cash flows	211	494	666	534	396
Within financing cash flows	1,421	1,504	2,020	1,461	1,771
	1,632	1,998	2,686	1,995	2,167

15 TRADE AND OTHER PAYABLES

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,446	46,377	44,478	25,424
Cost payable to media partners on behalf of customers	31,826	28,570	10,559	19,724
Other taxes and levies payables	10,193	9,950	12,916	15,083
Staff cost payables	5,193	7,932	8,529	6,434
Customers deposits	6,689	4,067	2,700	2,260
Interest payable	48	126	127	127
Listing expense payable	—	7,391	11,372	17,346
Amounts due to directors *(Note 21)*	30	866	9	9
Other current liabilities	780	968	384	826
Other payables	545	552	1,116	1,488
	82,750	106,799	92,190	88,721

The other payables at the Company's statement of financial position as at 31 December 2021 and 2022 and 30 September 2023 mainly represented listing expense payable and amounts due to directors (Note 21).

All of the trade and other payables are expected to be settled or recognised in profit or loss within 1 year or are repayable on demand.

Ageing analysis of trade payables

At the end of each reporting period, the ageing analysis of trade payables based on date of purchase is as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	24,813	36,243	29,196	9,350
3 to 6 months	1,947	10,033	12,042	—
6 months to 1 year	663	26	3,240	16,030
1 to 2 years	23	61	—	44
2 to 3 years	—	14	—	—
	27,446	46,377	44,478	25,424

16 BANK AND OTHER LOANS

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Guaranteed	35,674	34,616	15,780	15,960
— Unsecured	7,010	5,260	7,400	24,500
— Secured	—	—	10,000	10,000
Unsecured shareholder's loan *(Note 21)*	5,000	—	—	—
	47,684	39,876	33,180	50,460

The guaranteed bank loans were guaranteed by Mr. Yu Canliang, Mr. Zhao Libing and independent guarantee companies. Mr. Yu Canliang, Ms. Shu Qing, Mr. Zhao Libing and Ms. Wu Lili, a former spouse of Mr. Zhao Libing, pledged their assets to these guarantee companies as counter-guarantees.

The lender of guaranteed bank loans and the independent guarantee company have agreed to release all the personal guarantees on the date the Group receives the approval of listing of the Company's shares from the Stock Exchange.

The secured bank loans were secured by the Group's trade receivables.

Shareholder's loan as at 31 December 2020 is unsecured, interest-bearing at 3.3% per annum and repayable within 1 year.

All bank and other loans were repayable within 1 year.

17 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were repayable as follows:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	647	1,607	2,282	1,162
After 1 year	58	2,071	572	—
	705	3,678	2,854	1,162

18 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current tax in the consolidated statements of financial position

Movements of income tax payable during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At 1 January	1,026	2,150	4,074	4,074	5,756
Provision for PRC Income Tax	1,734	2,350	2,450	2,004	1,880
PRC income tax paid	(610)	(426)	(768)	(756)	(1,265)
At 31 December/30 September	2,150	4,074	5,756	5,322	6,371

(b) Deferred tax assets/(liabilities) recognised

(i) Components and movements of deferred tax assets/liabilities are as follows:

	Credit loss allowance	Lease liabilities	Right-of-use assets	Accruals	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	61	241	(241)	(95)	(34)
Credited/(charged) to profit or loss	37	(138)	138	(204)	(167)
At 31 December 2020	98	103	(103)	(299)	(201)
At 1 January 2021	98	103	(103)	(299)	(201)
Credited/(charged) to profit or loss	606	412	(412)	(437)	169
At 31 December 2021	704	515	(515)	(736)	(32)
At 1 January 2022	704	515	(515)	(736)	(32)
(Charged)/credited to profit or loss	(515)	(204)	204	259	(256)
At 31 December 2022	189	311	(311)	(477)	(288)
At 1 January 2023	189	311	(311)	(477)	(288)
Credited/(charged) to profit or loss	318	(187)	172	13	316
At 30 September 2023	507	124	(139)	(464)	28

(ii) Reconciliation to the consolidated statements of financial position

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	98	704	189	507
Deferred tax liabilities	(299)	(736)	(477)	(479)
	(201)	(32)	(288)	28

19 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

For the purpose of the Historical Financial Information, the share capital of the Group prior to the completion of Reorganisation represents the paid-in capital of Beijing Lesimedia and the share capital of the Company. After the completion of Reorganisation, share capital as at 31 December 2022 and 30 September 2023 represents the share capital of the Company.

(i) Share capital of the Company

	At 31 December 2020 and 2021		At 31 December 2022 and 30 September 2023	
	Number of shares'000	*US$'000*	*Number of shares'000*	*US$'000*
Authorised:				
Ordinary shares of US$0.001 each	20,000	20	5,000,000	5,000

On 1 April 2022, the authorised share capital of the Company was increased to 5,000,000,000 shares of US$0.001 each by creation of an additional 4,980,000,000 shares of US$0.001 each.

In 2020, 12,626,050 shares were issued at US$0.001 each. On 1 April 2022, 6,373,950 shares were issued at US$0.001 each. On 21 July 2022, 1,000,000 shares were issued, the consideration of which was settled by the transfer of 5% equity interest in Beijing Lesimedia by a pre-IPO investor to a subsidiary of the Company.

(b) Share premium

The share premium represented the difference between the consideration received and par value of issued shares of the Company.

(c) Capital reserve

Capital reserve represents the difference between the proceeds received from the equity holder and the paid-in capital of Beijing Lesimedia Technology Co., Ltd.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2(p).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

For the purpose of capital management, the Group consists of total equity of the Group as disclosed in the statement of changes in equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) Movements in components of equity

The changes of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity during the Track Record Period are set out below:

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 22 June 2020 (date of incorporation)		—	—	—	—	—
Issuance of shares	*19(a)*	82	—	—	—	82
Balance at 31 December 2020 and 1 January 2021		82	—	—	—	82
Total comprehensive income		—	—	(2)	(2,268)	(2,270)
Balance at 31 December 2021 and 1 January 2022		82	—	(2)	(2,268)	(2,188)
Issuance of shares	*19(a)*	41	—	—	—	41
Issuance of ordinary shares to shareholders of the Company in connection with the Reorganisation	*19(a)*	7	1,243	—	—	1,250
Total comprehensive income		—	—	(113)	(4,239)	(4,352)
Balance at 31 December 2022 and 1 January 2023		130	1,243	(115)	(6,507)	(5,249)
Total comprehensive income		—	—	167	(2,892)	(2,725)
Balance at 30 September 2023		130	1,243	52	(9,399)	(7,974)
(Unaudited) **Balance at 1 January 2022**		82	—	(2)	(2,268)	(2,188)
Issuance of shares	*19(a)*	41	—	—	—	41
Issuance of ordinary shares to shareholders of the Company in connection with the Reorganisation		7	1,243	—	—	1,250
Total comprehensive income		—	—	(224)	(3,072)	(3,296)
Balance at 30 September 2022		130	1,243	(226)	(5,340)	(4,193)

(g) Dividends

The directors of the Company did not propose the payment of any dividend during the Track Record Period.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below. The Group is not exposed to significant currency risk.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group is not exposed to significant concentration of credit risk in individual customers. At the end of 31 December 2020, 2021, 2022 and 30 September 2023, 6.3%, 5.0%, 0.3% and nil of the total trade receivables and other receivables was due from the Group's largest customer of the respective years.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing of receivables. The expected loss rates are based on the payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The recognition and measurement method of loss allowance for trade receivables is measured based on similar credit risk characteristics. The Group calculates the expected credit loss by referring to the historical credit loss experience, combining with the current situation and the forecast of future economic conditions and considering the trade receivables ageing and expected credit loss rate during the lifetime.

The loss allowance for trade receivables from customers at the end of each reporting period was determined as follows:

	At 31 December 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Within 6 months	0.7%	152,514	(1,012)
6 months to 12 months	2.6%	21,318	(550)
12 months to 24 months	6.9%	4,078	(282)
More than 24 months	100.0%	—	—
		177,910	(1,844)

	At 31 December 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 6 months	1.6%	155,773	(2,452)
6 months to 12 months	3.6%	19,243	(699)
12 months to 24 months	13.9%	12,972	(1,803)
More than 24 months	100.0%	—	—
		187,988	(4,954)

	At 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 6 months	1.0%	144,610	(1,450)
6 months to 12 months	3.9%	11,959	(463)
12 months to 24 months	22.1%	4,077	(900)
More than 24 months	100.0%	223	(223)
		160,869	(3,036)

	At 30 September 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 6 months	0.9%	122,349	(1,049)
6 months to 12 months	5.2%	44,023	(2,267)
12 months to 24 months	30.2%	7,641	(2,308)
More than 24 months	100.0%	715	(715)
		174,728	(6,339)

Expected loss rates are based on actual loss experience over the past 2–3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	Year ended 31 December			Nine months ended 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	525	1,844	4,954	3,036
Impairment losses recognised	1,319	5,594	1,948	3,303
Amounts written off	—	(2,484)	(3,866)	—
At the end of the reporting period	1,844	4,954	3,036	6,339

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity management and cash management, including the raising of loans to cover expected cash demands and maintaining adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	72,557	—	—	—	72,557	72,557
Bank and other loans	48,695	—	—	—	48,695	47,684
Lease liabilities	659	59	—	—	718	705
Total	121,911	59	—	—	121,970	120,946

	At 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	96,849	—	—	—	96,849	96,849
Bank and other loans	40,975	—	—	—	40,975	39,876
Lease liabilities	1,749	1,831	310	—	3,890	3,678
Total	139,573	1,831	310	—	141,714	140,403

	At 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	79,274	—	—	—	79,274	79,274
Bank and other loans	34,405	—	—	—	34,405	33,180
Lease liabilities	2,371	580	—	—	2,951	2,854
Total	116,050	580	—	—	116,630	115,308

	At 30 September 2023 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	73,638	—	—	—	73,638	73,638
Bank and other loans	51,676	—	—	—	51,676	50,460
Lease liabilities	1,182	—	—	—	1,182	1,162
Total	126,496	—	—	—	126,496	125,260

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At 31 December 2020 and 2021, the Group's borrowings were fixed rate loans. As at 31 December 2022 and 30 September 2023, RMB10 million of bank loans were variable rate loans while the rest of the borrowings were fixed rate loans. Fluctuation of interest rate will not have significant impact to the Group.

21 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

All members of key management personnel are directors of the Company. Their remuneration is disclosed in Note 8.

(b) Related party balances and transactions

The related parties of the Company and its subsidiaries that had transactions with the Company and its subsidiaries are as follows:

Name of related parties	Nature of relationship
Mr. Zhao Libing	One of the beneficial owners and a key management of the Company
Mr. Yu Canliang	One of the beneficial owners and a key management of the Company
Ms. Shu Qing	One of the beneficial owners and a key management of the Company
Ka Lok Holdings Limited	Parent company of the Company

(i) Non-trade balance with related parties:

	At 31 December			At 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loan from a related party *(Note 16)*				
— Mr. Zhao Libing	5,000	—	—	—
Other amounts due to related parties *(Note 15)*				
— Mr. Zhao Libing	17	851	9	9
— Mr. Yu Canliang	13	15	—	—
	30	866	9	9
Amounts due from shareholder *(Note 13)*				
— Ka Lok Holdings Limited	82	82	123	123

Loan from a related party represents a loan from Mr. Zhao Libing of RMB5,000,000 outstanding as at 31 December 2020, which is interest-bearing at 3.3% per annum and is repayable in one year. Save as above, all balances with related parties are unsecured, interest-free and repayable on demand. It was expected that all balances with related parties will be settled prior to or upon the listing of the Company's shares on the Stock Exchange.

(ii) Non-trade transactions with related parties

	Year ended 31 December			Nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loan received from related parties	7,000	2,000	—	—	—
Loan repaid to related parties	6,100	7,000	—	—	—
Interest expense	35	228	—	—	—
Advances from directors	9	836	112	112	—
Advances from directors repaid	—	—	969	969	—

The Group entered into lease agreements with Ms. Shu Qing and Mr. Yu Canliang to lease two offices for three years ended 31 December 2023 at nil consideration.

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2023

The IASB has issued a number of amendments, which are not yet effective for the accounting period beginning on 1 January 2023 and which have not been adopted by the Group during the Track Record Period. These developments include the following:

	Effective for accounting periods beginning on or after
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Pursuant to the written resolution passed by the shareholders of the Company on 21 February 2024, conditional on the share offering in connection with the proposed initial public offering, the directors were authorised to capitalise an amount of US$355,000 from share premium and issue 355,000,000 shares to the Company's existing shareholders immediately prior to the listing of the Company's shares on the Stock Exchange.

24 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020 and 2021, the directors consider the immediate parent of the Group to be Shanghai Lingxiang Enterprise Management Partnership (Limited Partnership) (上海靈象企業管理合夥企業) (formerly known as Nanping Tianxiang Enterprise Management Partnership (Limited Partnership) (南平天象企業管理合夥企業(有限合夥))), which is incorporated in the PRC. This entity does not produce financial statements available for public use. Ka Lok Holdings Limited became the immediate parent of the Group after the completion of Reorganisation on 21 July 2022.

At 31 December 2020, 2021, 2022 and 30 September 2023, the directors consider the ultimate controlling party of the Group to be Mr. Zhao Libing.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 September 2023.

The following information does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2023 as if the Global Offering had taken place on 30 September 2023.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 September 2023 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2023(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$(4)*
Based on an Offer Price of HK$1.10 per Share	409,107	105,909	515,016	1.03	1.12
Based on an Offer Price of HK$1.50 per Share	409,107	149,709	558,816	1.12	1.21

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 September 2023 is based on the consolidated net assets attributable to equity shareholders of the Company of RMB409,107,000 as at 30 September 2023, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 125,000,000 Shares to be issued pursuant to the Global Offering and the indicative Offer Prices of HK$1.10 per Share and HK$1.50 per Share, being the low end and high end of the Offer Price range respectively, after deduction of the estimated underwriting fees and other related listing expenses paid or payable by the Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period), and does not take into account the exercise of the Over-allotment Option and any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering are converted to Renminbi at the exchange rate of HK$1 to RMB0.9222. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted into Renminbi, or vice versa, at that rate.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company by 500,000,000 Shares, being the number of shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account of the exercise of the Over-allotment Option and any shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted into Hong Kong dollar at a rate of RMB1.00 to HK$1.0844. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result, dividends declared or other transactions of the Group entered into subsequent to 30 September 2023.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF LESI GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lesi Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 September 2023 and related notes as set out in Part A of Appendix IIA to the prospectus dated 29 February 2024 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IIA to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Global Offering**") on the Group's financial position as at 30 September 2023 as if the Global Offering had taken place at 30 September 2023. As part of this process, information about the Group's financial position as at 30 September 2023 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and use of proceeds" in the prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 February 2024

The estimate of the consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2023 is set out in "Financial information — Profit estimate for the year ended 31 December 2023" in this Prospectus.

(A) PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2023

Our Directors have prepared the estimate of the consolidated profit attributable to equity shareholders of our Company for the year ended 31 December 2023 (the "**Profit Estimate**") based on the audited consolidated results of our Group for the nine months ended 30 September 2023, the unaudited consolidated results of our Group for the two months ended 30 November 2023 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2023. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to this Prospectus.

Profit Estimate for the year ended 31 December 2023

Estimated consolidated profit attributable to equity shareholders of our Company . . . . not less than RMB65.0 million

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in relation to our Group's profit estimate for the year ended 31 December 2023.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

29 February 2024

The Directors
Lesi Group Limited
China Sunrise Capital Limited

Dear Sirs,

Lesi Group Limited (the "Company")
Profit Estimate for Year Ended 31 December 2023

We refer to the estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2023 (the "**Profit Estimate**") set forth in the section headed "Appendix IIB — Profit Estimate" in the prospectus of the Company dated 29 February 2024 (the "**Prospectus**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the nine months ended 30 September 2023, the unaudited consolidated results of the Group for the two months ended 30 November 2023 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2023.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 ''Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements'', which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 ''Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness'' and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) ''Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'' issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 29 February 2024, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SOLE SPONSOR

CHINA SUNRISE CAPITAL LIMITED
Unit 4513
45th Floor, The Center
99 Queen's Road Central
Hong Kong

29 February 2024

To: The Board of Directors of Lesi Group Limited

Dear Sirs,

We refer to the estimate of the consolidated profits attributable to the equity shareholders of Lesi Group Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") for the year ended 31 December 2023 (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set forth in the section headed "Summary — Profit estimate for the year ended 31 December 2023" in the prospectus of the Company dated 29 February 2024 (the "**Prospectus**").

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the nine months ended 30 September 2023; (ii) the unaudited consolidated results of the Group for the two months ended 30 November 2023 and (iii) an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2023.

We have discussed with you the basis made by the Directors as set out in Appendix IIB to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 29 February 2024 addressed to you and us from the Company's reporting accountants, KPMG, regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
China Sunrise Capital Limited
Larry Chan
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 June 2020 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").*

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 February 2024 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be 2 persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to 1 vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only 1 class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in 1 lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of 3, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every 3 years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than 2. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint 1 or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through 1 or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have 1 vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than 1 vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have 1 vote provided that where more than 1 proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have 1 vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than 1 person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of 1 or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a 1 vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board and add resolutions to the agenda of such requisitioned meeting for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be 2 members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, 2 persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be 2 persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of 2 or more shares may appoint more than 1 proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for 1 year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for 6 years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in "3. Cayman Islands Company Law — (f) Protection of minorities and shareholders' suits" below.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 16 March 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies in the Cayman Islands for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar of Companies in the Cayman Islands within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in "Documents available on display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 22 June 2020. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 March 2022 and the principal place of business in Hong Kong is at 2206–19 Jardine House, 1 Connaught Place, Central, Hong Kong. Mr. Lee Cheuk Wang has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises the Memorandum and the Articles. A summary of the certain provisions of the Memorandum and the Articles, and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

(a) On 22 June 2020, our Company was incorporated with an authorised share capital of US$20,000 divided into 20,000,000 Shares of par value of US$0.001 each. Upon incorporation, 1 Share was allotted and issued as fully-paid at par value to an initial subscriber, an Independent Third Party.

(b) On 1 July 2020, the initial subscriber transferred 1 fully paid Share to Quartet Yutong BVI.

(c) On 1 July 2020, our Company allotted and issued 7,350,784 Shares to Quartet Yutong BVI at par value. On the same date, 3,224,153 Shares, 1,075,556 Shares and 975,556 Shares were allotted and issued as fully-paid at par value to Remit Sheng BVI, Yangtze Han Holdings Limited (which is solely owned by Mr. Nie) and Jing Sing BVI, respectively.

(d) On 14 September 2020, Yangtze Han Holdings Limited transferred 1,075,556 Shares to Jiang Oofy BVI at a consideration of US$1,075.556, which was determined with reference to the par value of shares concerned and was fully settled on the same date.

(e) On 1 April 2022, the authorised share capital of our Company was increased from US$20,000 divided into 20,000,000 Shares of a par value of US$0.001 each to US$5,000,000 divided into 5,000,000,000 Shares of a par value of US$0.001 each by the creation of an additional of 4,980,000,000 Shares of par value of US$0.001 each.

(f) On 1 April 2022, 7,350,785 Shares, 3,224,153 Shares, 1,075,556 Shares and 975,556 Shares were transferred from Quartet Yutong BVI, Remit Sheng BVI, Jiang Oofy BVI and Jing Sing BVI respectively to Ka Lok BVI at a consideration of US$7,350.785, US$3,224.153, US$1,075.556 and US$975.556, respectively, which were determined with reference to the par value of shares concerned and were fully settled on the same date.

(g) On 1 April 2022, our Company allotted and issued 6,373,950 Shares to Ka Lok BVI at par value.

(h) On 21 July 2022, our Company allotted and issued 1,000,000 Shares, credited as fully paid, to the Pre-IPO Investor at the consideration of RMB11,010,000, which was settled by the transfer of 5% equity interest in Beijing Lesimedia by the Pre-IPO Investor to Glitter Investments HK.

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), 500,000,000 Shares will be issued fully paid or credited as fully paid, and 4,500,000,000 Shares will remain unissued. Our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in "A. Further information about our Company — 3. Resolutions in writing of the Shareholders" and "A. Further information about our Company — 4. Corporation reorganisation" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders

Pursuant to the written resolution passed by the Shareholders of our Company on 21 February 2024:

(A) our Company approved and adopted the Articles with effect from the Listing Date, the terms of which are summarised in Appendix III to this prospectus;

(B) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and such grant and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the respective terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(a) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to approve the allotment and issue of the Offer Shares and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(b) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(c) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to capitalise US$355,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 355,000,000 Shares for allotment and issue to the holders of Shares on the register of members of the Company on the date of the passing of the resolution in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation and that the Shares to be allotted and issued pursuant to the resolution shall rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;

(d) (i) subject to sub-paragraph (iii) of this paragraph (d), pursuant to the Listing Rules, the exercise by the Directors during the Relevant Period (as defined in paragraph (f) below) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which may require the exercise of such powers was generally and unconditionally approved;

(ii) the approval in sub-paragraph (i) of this paragraph (d) authorised the Directors during the Relevant Period to make or grant offers, agreements and options which may require the exercise of such powers after the expiry of the Relevant Period;

(iii) the total number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i) of this paragraph (d), otherwise than pursuant to (aa) a Rights Issue (as defined below); or (bb) any scrip dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles; or (cc) the grant of options under the Share Option Scheme or the exercise of any options which have been or may be granted under the Share Option Scheme; or (dd) any issue of Shares upon exercise of rights of subscription or conversion attaching to warrants of the Company or any securities (if any) which are convertible into Shares; or (ee) the Global Offering or the Capitalisation Issue or the exercise of the Over-allotment Option, shall not exceed the sum of:

(x) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering, but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme; and

(y) (if the Directors are so authorised by a separate resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution up to a maximum equivalent of 10% of the total number of Shares of the Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering, but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme;

and the said approval shall be limited accordingly; and

(iv) for the purposes of this paragraph (d), "**Rights Issue**" means an offer of shares in the capital of the Company or an offer or issue of warrants or options to subscribe for shares in the capital of the Company open for a period fixed by the Directors to shareholders of the Company whose names appear on the Company's register of members on a fixed record date in proportion to their then holdings of shares in the Company (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, or in any territory outside Hong Kong, or the expense or delay that may be incurred in the determination of any such restrictions or obligations);

(e) (i) subject to sub-paragraph (ii) of this paragraph (e), the exercise by the Directors during the Relevant Period (as defined in paragraph (f) of this resolution) of all the powers of the Company to purchase its Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose was generally and unconditionally approved;

(ii) the total number of Shares which may be purchased or agreed to be purchased by the Company pursuant to the authority granted under sub-paragraph (i) of this paragraph (e) during the Relevant Period shall not exceed 10% of the total number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme and the authority pursuant to sub-paragraph (i) of this paragraph (e) shall be limited accordingly;

(f) for the purposes of paragraphs (d) and (e) of this resolution, "**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the date by which the next annual general meeting of the Company is required by the Articles or the Companies Act or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors by paragraph (d) or (as the case may be) paragraph (e) of this resolution.

(C) the general mandate granted to the Directors pursuant to paragraph (d) of resolution numbered (B) above was extended by the addition to the total number of the Shares which may be allotted, issued or dealt with by the Directors pursuant to or in accordance with such mandate of an amount representing the total number of Shares purchased by the Company pursuant to or in accordance with the authority granted under paragraph (e) of resolution numbered (B) above.

4. Corporation reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. See "History and development" in this prospectus for further details relating to the Reorganisation.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries during the Track Record Period are set out in note 1 of the Accountants' Report in Appendix I to this prospectus.

Apart from the alternations disclosed in "History and development" in this prospectus, there has been no alternation in the share capital of any of the subsidiaries of our Company within the 2 years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written shareholder's resolution of our Company dated 21 February 2024, a general unconditional mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or exercise of options that may be granted under the Share Option Scheme until at the conclusion of our next annual general meeting, or the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws of the Articles, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares (other than an issue of securities pursuant to an exercise of outstanding prior to such repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Companies Act, unless otherwise resolved by the directors, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of 1 month immediately preceding the earlier of:

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

(ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement,

our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

A company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its Shares to our Company on the Stock Exchange.

(b) Reasons for repurchase

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the Cayman Companies Act or any other applicable laws of Cayman Islands and the Listing Rules.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a repurchase of Shares may also be paid out of capital.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which, in the opinion of our Directors, are from time to time appropriate for us.

The exercise in full of the current repurchase mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme, could accordingly result in up to 50,000,000 Shares being repurchased by us during the relevant period.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable inquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, the Cayman Companies Act and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which could arise under the Takeovers Code if the repurchase mandate is exercised.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the 2 years preceding the date of this prospectus that are or may be material:

(a) the Pre-IPO Investment Agreement;

(b) the Deed of Non-competition;

(c) the Deed of Indemnity; and

(d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of Our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registration no.	Class	Name of registered proprietor	Place of registration	Expiry date
1	乐思创信	30000164	35	Beijing Lesimedia	The PRC	27 January 2029
2		29978674	35	Beijing Lesimedia	The PRC	27 April 2029

(b) Domain Names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain name	Name of registered proprietor	Registration date	Expiry date
1	lscx.com.cn	Beijing Lesimedia	15 August 2012	15 August 2025
2	lexiaoad.com	Beijing Lesimedia	20 December 2017	20 December 2024
3	projectlegend.cn	Beijing Lesimedia	9 March 2021	9 March 2025
4	lesimedia.com	Beijing Lesimedia	23 May 2016	23 May 2025
5	projectlandmark.cn	Beijing Lesimedia	20 February 2023	20 February 2025

(c) Copyrights

As at the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyright	Registration no.	Name of registered proprietor	Place of registration	Registration date
1	Lexiao Advertising System (樂效廣告發佈系統) V1.0	2017SR363277	Beijing Lesimedia	The PRC	11 July 2017
2	Lexiao Advertising Monitoring System (樂效廣告監測系統) V1.0	2017SR363273	Beijing Lesimedia	The PRC	11 July 2017

No.	Copyright	Registration no.	Name of registered proprietor	Place of registration	Registration date
3	Lexiao Network Advertising Management System (樂效網絡廣告管理系統) V1.0	2017SR363269	Beijing Lesimedia	The PRC	11 July 2017
4	Lexiao Advertising Business Management Platform (樂效廣告業務管理平台) V1.0	2017SR344626	Beijing Lesimedia	The PRC	5 July 2017
5	Lexiao Advertising Production System Software (樂效廣告製作系統軟件) V1.0	2017SR344646	Beijing Lesimedia	The PRC	5 July 2017
6	Lexiao Intelligent Advertising System (樂效智能廣告投放系統) V1.0	2017SR357627	Beijing Lesimedia	The PRC	10 July 2017
7	Lexiao Multimedia Information Publishing System (樂效多媒體信息發布系統) V1.0	2017SR363345	Beijing Lesimedia	The PRC	11 July 2017
8	Lesi Intelligent Search Business System (樂思智能搜索業務系統) V1.0	2019SR1438418	Beijing Lesimedia	The PRC	26 December 2019
9	Lesi Intelligent DSP Business System (樂思智能DSP業務系統) V1.0	2019SR1442359	Beijing Lesimedia	The PRC	27 December 2019
10	Lesi Intelligent Information Flow Business System (樂思智能信息流業務系統) V1.0	2019SR1439568	Beijing Lesimedia	The PRC	26 December 2019
11	Lesi Video Production Task Platform (樂思視頻製作任務平台) V1.0	2019SR1441111	Beijing Lesimedia	The PRC	26 December 2019
12	Lesi Advertising Data Analysis System (樂思廣告數據分析系統) V1.0	2019SR1443721	Beijing Lesimedia	The PRC	27 December 2019

No.	Copyright	Registration no.	Name of registered proprietor	Place of registration	Registration date
13	Lesi Advertising Delivery Tool Platform (樂思廣告投放工具平台) V1.0	2019SR1443973	Beijing Lesimedia	The PRC	27 December 2019
14	Lesi SSP Media Service Platform (樂思SSP媒體服務平台) V1.0	2019SR1439199	Beijing Lesimedia	The PRC	26 December 2019
15	Lesi Material Management Platform (樂思素材管理平台) V1.0	2019SR1453062	Beijing Lesimedia	The PRC	30 December 2019
16	Lesi Advertising Verification System (樂思廣告驗證系統) V1.0	2022SR1087132	Beijing Lesimedia	The PRC	11 August 2022
17	Lesi Accounts Receivable Management Software (樂思應收帳款管理軟件) V1.0	2022SR1131448	Beijing Lesimedia	The PRC	15 August 2022
18	Lesi Sales Management Platform (樂思銷售管理平台) V1.0	2022SR1103952	Beijing Lesimedia	The PRC	12 August 2022
19	Lesi Advertising Intermediary System (樂思廣告中介系統) V1.0	2022SR1115029	Beijing Lesimedia	The PRC	12 August 2022
20	Lesi Reimbursement Approval Platform (樂思報銷審批平台) V1.0	2022SR1092164	Beijing Lesimedia	The PRC	11 August 2022
21	Lesi Procurement Management Platform (樂思採購管理平台) V1.0	2022SR1092165	Beijing Lesimedia	The PRC	11 August 2022
22	Lesi Contract Management Platform (樂思合同管理平台) V1.0	2022SR1091859	Beijing Lesimedia	The PRC	11 August 2022
23	Lesi Short Video Production Software (樂思短視頻製作軟件) V1.0	2022SR1086888	Beijing Lesimedia	The PRC	11 August 2022

No.	Copyright	Registration no.	Name of registered proprietor	Place of registration	Registration date
24	Lesi Topping-up Management Platform (樂思充值管理平台) V1.0	2022SR1094823	Beijing Lesimedia	The PRC	11 August 2022
25	Lesi Payment Application Software (樂思付款申請軟件) V1.0	2022SR1123163	Beijing Lesimedia	The PRC	15 August 2022
26	Lesi Advertising Transaction Platform (樂思廣告交易平台) V1.0	2022SR1091021	Beijing Lesimedia	The PRC	11 August 2022
27	Lesi Promotion of Data Monitoring Platform (樂思推廣數據監控平台) V1.0	2022SR1122782	Beijing Lesimedia	The PRC	15 August 2022
28	Lesi Promotion of Data Analysis Platform (樂思推廣數據分析平台) V1.0	2022SR1122503	Beijing Lesimedia	The PRC	15 August 2022
29	Lesi Media Management Platform (樂思媒體管理平台) V1.0	2022SR1105224	Beijing Lesimedia	The PRC	12 August 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests — interests and short positions of our Directors in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme, the interests or short positions of our Directors in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interests in our Company

Name	Nature of interest	Interests in Shares(1)	Approximate percentage shareholding
Mr. Zhao(2)	Interest in a controlled corporation	356,250,000 (L)	71.25%
Mr. Yu(3)	Interest in a controlled corporation	356,250,000 (L)	71.25%
Ms. Shu(4)	Interest of spouse	356,250,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Ka Lok BVI is owned as to 57.77% by Quartet Yutong BVI, which is in turn solely owned by Mr. Zhao. By virtue of the SFO, each of Quartet Yutong BVI and Mr. Zhao is deemed to be interested in the Shares in which Ka Lok BVI is interested.

(3) Ka Lok BVI is owned as to 35.55% by Remit Sheng BVI, which is in turn solely owned by Mr. Yu. By virtue of the SFO, each of Remit Sheng BVI and Mr. Yu is deemed to be interested in the Shares in which Ka Lok BVI is interested.

(4) Ms. Shu is the spouse of Mr. Yu. By virtue of the SFO, Ms. Shu is deemed to be interested in all the Shares held by Mr. Yu.

(ii) Interest in shares of our Company's associated corporation

Name of associated corporation	Name of Director	Nature of interest	Number of shares interested	Approximate percentage of shareholding
Ka Lok BVI	Mr. Zhao[(1)]	Interest of a controlled corporation	5,777	57.77%
	Mr. Yu[(2)]	Interest of a controlled corporation	3,555	35.55%
	Mr. Shu[(3)]	Interest of a controlled corporation	667	6.67%
	Mr. Nie[(4)]	Interest of a controlled corporation	1	0.01%

Notes:

(1) Mr. Zhao holds the entire equity interest in Quartet Yutong BVI, which holds 5,777 shares of Ka Lok BVI.

(2) Mr. Yu holds the entire equity interest in Remit Sheng BVI, which holds 3,555 shares of Ka Lok BVI.

(3) Ms. Shu holds the entire equity interest in Jing Sing BVI, which holds 667 shares of Ka Lok BVI.

(4) Mr. Nie holds the entire equity interest in Jiang Oofy BVI, which holds 1 share of Ka Lok BVI.

(b) Particulars of service agreements and letters of appointment

Executive Directors

Each of our executive Directors has entered into a service agreement with our Company pursuant to which they agreed to act as executive Directors for an initial term of 3 years with effect from the Listing Date. The terms and conditions of each of such service agreements are similar in all material aspects. The term of service shall be renewable automatically for successive terms of 1 year each commencing from the next day after the expiry of the then current term, subject to rotation, removal, vacation or termination of office as set out in the Articles or disqualification under the Articles, the Companies Act and the Listing Rules. And, the term can be terminated by either party giving to the other not less than 3 months' prior written notice.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment after 31 December 2024 at the discretion of our Directors of not more than 5% of the annual salary immediately prior to such increase). In addition, each of our executive Directors is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all our executive Directors for any financial year of our Company may not exceed 10% of the audited combined or consolidated audited net profit of our Group (after taxation and minority interests but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director is required to abstain from voting and is not counted towards the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him/her. The basic annual salaries (excluding discretionary bonus) of our executive Directors are as follows:

Name	**Annual Salary**
	RMB'000
Mr. Zhao	700
Mr. Yu	700
Mr. Nie	700
Ms. Shu	500

Non-executive Director

Our non-executive Director has signed a service agreement with our Company for an initial term of 3 years commencing from the Listing Date which is renewable automatically for successive terms of 1 year each commencing from the next day after the expiry of the then current term of subject to rotation, removal, vacation or termination of office as set out in the Articles or disqualification under the Articles, the Companies Act and the Listing Rules. And, the term can be terminated by not less than 3 months' notice in writing served by our non-executive Director or our Company.

Our non-executive Director is entitled to a director's fee of HK$120,000 (equivalent to approximately RMB110,664 per annum. Save for the director's fee, our non-executive Director is not expected to receive any other remuneration for holding her office as a non-executive Director.

Independent non-executive Directors

Each of our independent non-executive Directors has signed a letter of appointment with our Company for an initial term of 3 years commencing from the Listing Date which is renewable automatically for successive terms of 1 year each commencing from the next day after the expiry of the then current term, subject to rotation, removal, vacation or termination of office as set out in the Articles or disqualification under the Articles, the Companies Act and the Listing Rules. And, the term can be terminated by not less than 3 months' notice in writing served by our independent non-executive Directors or our Company.

Each of our independent non-executive Directors is entitled to a director's fee of approximately RMB110,664 per annum. Save for the directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service agreement with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within 1 year without the payment of compensation (other than statutory compensation).

(c) Directors' remuneration

The aggregate amount of remuneration of our Directors including Directors' fees, salaries, discretionary bonuses, contributions to pension schemes, housing allowances and other allowances and benefits in kind incurred by our Group for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023 was approximately RMB1.9 million, RMB2.1 million, RMB2.2 million and RMB1.9 million, respectively.

Under the arrangement currently in force, the aggregate remuneration (excluding any discretionary bonus, if any, payable to our Directors) of our Directors for the year ended 31 December 2023 is estimated to be approximately RMB2.9 million. There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the 3 financial years immediately preceding the issue of this prospectus.

Further details of the terms of the abovementioned service agreements and letters of appointment are set out in "C. Further information about our Directors and substantial Shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment" in this section.

2. Substantial shareholders

So far as our Directors are aware of, as at the Latest Practicable Date and immediately following the completion of the Capitalisation Issue and the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities (other than our Directors) will have interests and short positions in our Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

		Immediately following the completion of the Capitalisation Issue and the Global Offering	
Name of substantial Shareholders	**Capacity/Nature of interest**	**Number of Shares(1)**	**Approximate percentage of shareholding**
Ka Lok BVI	Beneficial owner	356,250,000 (L)	71.25%
Quartet Yutong BVI(2)	Interest in controlled corporation	356,250,000 (L)	71.25%
Remit Sheng BVI(3)	Interest in controlled corporation	356,250,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Ka Lok BVI is owned as to 57.77% by Quartet Yutong BVI. By virtue of the SFO, Quartet Yutong BVI is deemed to be interested in the Shares in which Ka Lok BVI is interested.

(3) Ka Lok BVI is owned as to 35.55% by Remit Sheng BVI. By virtue of the SFO, Remit Sheng BVI is deemed to be interested in the Shares in which Ka Lok BVI is interested.

3. Agency fees or commission received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the 2 years preceding the date of this prospectus.

4. Related party transactions

Save as disclosed in Note 21 of the Accountants' Report set out in Appendix I to this prospectus, during the 2 years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

5. Disclaimers

Save as disclosed herein:

(a) none of our Directors has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code once our Shares are listed;

(b) none of our Directors or experts referred to under "D. Other information — 9. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the 2 years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service agreements with any member of our Group (excluding contracts expiring or determinable by the employer within 1 year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of issued voting shares of any member of our Group;

(f) none of the experts referred to under "D. Other information — 9. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the number of issued Shares has any interests in the 5 largest customers or the 5 largest suppliers of our Group in each year/period during the Track Record Period.

D. OTHER INFORMATION

1. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 21 February 2024:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to provide incentive and/or reward to:

(a) any director (including independent non-executive director) and employee (whether full time or part time) of the Company or the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Employee Participant**");

(b) any director and employee of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Related Entity Participant**"); or

(c) any person providing services to the Group on a continuing and recurring basis in its ordinary and usual course of business of the Group, the grant of Share Options to whom is in the interests of the long-term growth of the Group as determined by the Board, namely any person providing advisory services and/or consultancy services to the Group after stepping down from an employment or director position with the Group and any person providing, among others, advisory services, consultancy services, sales and marketing services, technology services and/or administrative services to the Group as consultants, independent contractors or agents where the continuity and frequency of their services are akin to those of employees but, for the avoidance of doubt, excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions of the Company or its Subsidiaries, and (ii) professional service providers such as the auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity (the "**Service Provider**"); and

(collectively the "**Eligible Person(s)**"), for their contribution to, and continuing efforts to promote the interests of, the Group.

The Share Option Scheme shall be subject to the administration of the Board (or if the Board so resolves by a committee of the Board) whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or application of effect (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the auditors or the independent financial adviser of the Company if and as required by the Share Option Scheme.

(ii) Who may join

The Board shall be entitled at any time within the period of ten (10) years commencing on the adoption date of the Share Option Scheme (the "**Adoption Date**") to make an offer to any Eligible Person as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the exercise price. In particular, the eligibility of each of the Eligible Persons shall be determined by the Board or a committee of the Board from time to time and on a case-by-case basis. Generally:

(a) with respect to Employee Participants, the Board will consider, among others, their general working performance, time commitment (full-time or part-time), length of their service within the Group, working experience, responsibilities and/or employment conditions with reference to the prevailing market practice and industry standard;

(b) with respect to Related Entity Participants, the Board will consider, among others, their participation and contribution to the development of the Group and/or the extent of benefits and synergies brought to the Group; and

(c) with respect to Service Providers, the Board will consider, among others, their experience and expertise, continuity and frequency of their services to the Group, their involvement in promoting the business of the Group, or where appropriate, contribution or potential contribution to the long-term growth of the Group. In assessing whether the Service Provider provides services to the Group on a continuing and recurring basis, the Board or the committee of the Board (as the case may be) shall take into consideration the length and type of services provided and the recurrences and regularity of such services, and will benchmark such metrics against the performance of the employees, officers and directors of the Group to whom the Group provides equity incentives, while taking into account the purpose of the Share Option Scheme and the objectives in engaging the Service Provider. In assessing whether the Service Provider provides services to the Group in the Company's ordinary and usual course of business, the Board or the committee of the Board (as the case may be) shall take into consideration the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group, as disclosed in the Company's financial reports.

The Directors (including the independent non-executive Directors) are of the view that the eligibility of the Service Providers and the Related Entity Participants to participate in the Share Option Scheme is consistent with the purpose of the Share Option Scheme, which allows the Company to use Share Options as incentives and rewards instead of cash incentives to encourage personnel both inside and outside of the Group to make contributions, which are beneficial to the long-term growth and development of the Group.

(iii) Exercise price of Share Options

The exercise price of any particular Share Option granted under the Share Option Scheme shall be a price determined by the Board and notified to an Eligible Person, and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to an Eligible Person, which must be a Business Day (the "**Offer Date**"); (ii) the average closing price of the Shares as stated in Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date. Where a Share Option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date for such Share Option.

(iv) Maximum number of Shares

The total number of Shares which may be issued in respect of all options and awards to be granted under the Share Option Scheme and any other scheme(s) of our Company must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 50,000,000 Shares) (the "**General Scheme Limit**") or the relevant date of approval of the refreshment of the General Scheme Limit.

Subject to the above, within the General Scheme Limit, the total number of Shares which may be issued in respect of all options and awards to be granted to the Service Providers under the Share Option Scheme and any other schemes shall not in aggregate exceed 1% of the number of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange or the relevant date of approval of the refreshment of the Service Provider Sublimit (the "**Service Provider Sublimit**") unless:

(a) the Service Provider Sublimit is separately approved by the Shareholders in general meeting; and

(b) a circular regarding the Service Provider Sublimit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including, amongst others, the basis for determining the Service Provider Sublimit and an explanation as to why the Service Provider Sublimit is appropriate and reasonable).

For the purposes of calculating the General Scheme Limit and the Service Provider Sublimit, Shares which are the subject matter of any options or awards that have already lapsed in accordance with the terms of the relevant share scheme(s) of the Company will not be regarded as utilised.

The General Scheme Limit and the Service Provider Sublimit may be refreshed by ordinary resolution of the Shareholders in general meeting every three years from the date of the Shareholders' approval for the last refreshment (or the Adoption Date), provided that:

(a) the General Scheme Limit so refreshed shall not exceed 10% (or such other percentage which may be specified by the Stock Exchange from time to time) and the Service Provider Sublimit so refreshed shall not exceed 1%, respectively, of the total number of issued Shares as at the date of such Shareholders' approval of the refreshment of the General Scheme Limit and the Service Provider Sublimit;

(b) for the purpose of calculating the General Scheme Limit and the Service Provider Sublimit, options or awards lapsed will not be regarded as utilised and options or awards cancelled will be regarded as utilised; and

(c) a circular regarding the proposed refreshment of the General Scheme Limit and the Service Provider Sublimit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, Chapter 17 of the Listing Rules.

Further to the requirements set out above, any refreshment of the General Scheme Limit and/or the Service Provider Sublimit within three years from the date of the Shareholders' approval for the last refreshment (or the Adoption Date) must be approved by the Shareholders in general meeting subject to the following provisions:

(a) any Controlling Shareholder and their associates (or if there is no Controlling Shareholder, Directors (excluding independent non-executive Directors) and chief executive(s) of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting;

(b) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules; and

(c) the requirements under sub-paragraphs (a) and (b) above do not apply if the refreshment is made immediately after an issue of Shares by the Company to its Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the General Scheme Limit and the Service Provider Sublimit (as a percentage of the Shares in issue) upon refreshment is the same as the unused part of the General Scheme Limit and the Service Provider Sublimit immediately before the issue of the Shares, rounded to the nearest whole Share.

The Company may seek separate approval from the Shareholders in general meeting for granting options or awards which will result in the General Scheme Limit or the Service Provider Sublimit being exceeded, provided that:

(a) the grant is only to Eligible Persons specifically identified by the Company before the approval is sought; and

(b) a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and any other applicable laws and rules.

If the Company conducts any share consolidation or subdivision after the General Scheme Limit or the Service Provider Sublimit has been approved in the general meeting, the maximum number of Shares that may be issued by the Company pursuant to the Share Option Scheme and all other share schemes of the Company under the unutilised General Scheme Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

(iv) Grant of Share Options

(a) An Offer shall be made to an Eligible Person in writing in such form as the Board may from time to time determine requiring the Eligible Person to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Person to whom an Offer is made for a period as specified in the letter of Offer, by which the Eligible Person must accept the Offer or be deemed to have declined it, provided that no such Offer shall be opened for acceptance after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme or after the Eligible Person to whom the Offer is made has ceased to be an Eligible Person.

(b) The Board may in its absolute discretion specify such conditions as it thinks fit when making an Offer to an Eligible Person (including, without limitation, as to any performance criteria which must be satisfied by the Eligible Person and/or the Company and/or its subsidiaries before a Share Option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme or the relevant requirements under applicable laws or the Listing Rules.

(c) The Board shall not grant any Share Option under the Share Option Scheme after inside information has come to the Company's knowledge until (and including) the trading day on which it has announced the information. In particular, no Offer shall be made to any Eligible Person (a) during the period commencing one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock

Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and (3) ending on the date of the results announcement, no Share Option shall be granted; or (b) who is subject to the Model Code during the periods or times in which such Eligible Person is prohibited from dealing in the Shares pursuant to the Model Code.

(d) An Offer shall be deemed to have been accepted and the Share Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the Company receives the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein no option price will be payable upon the acceptance of the Offer, together with a remittance in favour of us of HK$1.00 by way of consideration for the grant thereof within 21 days from the date of grant. Any Offer may be accepted in respect of all or less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that an Offer is not accepted within the time stated in the Offer for that purpose, it will be deemed to have been irrevocably declined and upon which, the subject Share Options with respect to the declined Offer will be lapsed and will not be utilised for the purpose of calculating the General Scheme Limit and the Service Provider Sublimit.

(v) Vesting of Share Options

The Share Options to be granted under the Share Option Scheme shall be subject to a minimum vesting period of 12 months during which unvested Share Options shall not become vested and exercisable. Any shorter vesting period in respect of Share Options granted to Employees Participants must be approved by the Board and/or the Remuneration Committee (for Share Options granted to the Directors or senior managers) at the Directors' discretion, provided that such Grantee(s) has been specifically identified by the Board before granting such approval. The specific circumstances giving rise to a shorter vesting period are as follows:

(a) grants of "make whole" Share Options to new Employee Participants to replace share options such Employee Participants forfeited when leaving their previous employers;

(b) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;

(c) grants of Share Options which are subject to the fulfilment of performance targets;

(d) grants of Share Options that are made in batches during a year due to administrative or compliance requirements which may be subject to any changes made to the applicable laws, regulations and rules in the jurisdictions which the Employee Participants and the Group are subject to and not connected with the performance of the relevant Employee Participant, which include Share Options that should have been granted earlier if not for such administrative or compliance requirements but had to wait for subsequent batch, in which case the vesting date may be adjusted to take account of the time from which the Share Options would have been granted if not for such administrative or compliance requirements, which allows flexibility for the Company to reward Employee Participants in case of delays due to administrative or compliance requirements. In the event of any administrative or compliance requirements which give rise to a shorter vesting period of the Share Options granted to any Employee Participant, the Company will make further announcement as and when appropriate;

(e) grants of Share Options with a mixed vesting schedule such that the Share Options vest evenly over a period of 12 months; or

(f) grants of Share Options with a total vesting and holding period of more than 12 months.

(vi) Performance Targets

The Offer shall specify the performance target(s), if any, that must be duly fulfilled by the Grantee(s) before any of the Share Options may be vested in such Grantee(s) under such Offer. The Board or a committee of the Board may in respect of each Offer and subject to all applicable laws, rules and regulations determine such performance targets for vesting of Share Options in its sole and absolute discretion, such performance targets shall include, among others, financial targets and management targets which shall be determined based on the (i) individual performance, (ii) performance of the Group and/or (iii) performance of business groups, business units, business lines, functional department, projects and/or geographical area managed by the Grantees. For the avoidance of doubt, a Share Option shall not be subject to any performance targets, criteria or conditions if none is set out in the relevant Offer.

(vii) Maximum entitlement of each participant and Share Options granted to certain connected persons

(a) "**Relevant Shares**" means Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed) under all share schemes of the Company to the relevant Grantee in the 12-month period (or such other time period as may be specified by the Stock Exchange from time to time) up to and including the Offer Date of the relevant Share Option referred hereto. Share Options that have already lapsed in accordance with the Share Option Scheme shall not be counted.

(b) No Share Option shall be granted to any Eligible Person (the "**Relevant Eligible Person**"), if it would result in the number of Relevant Shares exceeding 1% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue at the relevant time of grant, unless (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his/her close associates (or his/her associates if the Relevant Eligible Person is a connected person) shall abstain from voting; (2) a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and (3) the number and terms of such Share Option are fixed before the general meeting of the Company at which the same are approved.

(c) The grant of Share Options to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) requires the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a prospective Grantee of the Share Option). Where a Share Option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and the grant will result in the number of the Relevant Shares exceeding 0.1% (or such other percentage which may be specified by the Stock Exchange from time to time) of the total number of Shares in issue at the relevant time of grant and such grant shall not be valid unless (1) a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the information as required under the Listing Rules (including, in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective Grantee of the Share Option) to the independent Shareholders as to voting); and (2) the grant has been approved by the Shareholders in general meeting (taken on a poll) in accordance with the relevant provisions of the Listing Rules, in particular, the relevant Grantee, his/her associates and all core connected persons shall abstain from voting (except that a connected person may vote against the resolution if his/her intention to do so has been stated in the circular required to be issued pursuant to the Listing Rules). The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(d) Independent Shareholders' approval and the circular described above are also required for any change in the terms of Share Options granted to a Grantee who is a Director, chief executive or substantial shareholder of the Company or any of their respective associates.

(viii) Exercise of Share Option

A Share Option may be exercised in whole or in part by the Grantee (or his/her personal representatives) before the expiry of the exercise period by delivering to the Company a notice in writing in a form approved by the Board stating that the Share Option is to be exercised and the number of Shares in respect of which it is exercised.

(ix) Rights are personal to Grantee

A Share Option shall be personal to the Grantee. Unless a waiver is granted by the Stock Exchange or otherwise permitted or required under the applicable laws and regulations, a Share Option shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any Share Option.

(x) Rights on cessation of employment by death

Where the Grantee of an outstanding Share Option dies before exercising the Share Option in full or at all, the Share Option may be exercised up to the entitlement of such Grantee or, if appropriate, an election made pursuant to a general offer, scheme of arrangement, scheme for the reconstruction or amalgamation or voluntary winding up of the Company by his/her personal representatives within 12 months of the date of death.

(xi) Rights on cessation of employment or retirement

Where the holder of an outstanding Share Option ceases to be an Eligible Person for any reason other than (i) death, (ii) re-employed after retirement or has changed in position but still be an Eligible Person before exercising the Share Option in full or at all or (iii) by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him an Eligible Person, the Share Option shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Share Option shall be exercisable to the extent and within such period as the Board may determine. The date of such cessation shall be (i) if he is an employee of the Company, any subsidiary or any Related Entity, his/her last actual working day at his/her work place with the Company, any subsidiary or any Related Entity whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Company, any subsidiary or any Related Entity the date on which the relationship with the Group which has constituted him an Eligible Person ceases.

Where the Grantee of an outstanding Share Option is re-employed after retirement or has changed in position(s) but still be an Eligible Person before exercising the Share Option in full or at all, the Share Option may continue to be exercised by the Grantee.

Where the Grantee of an outstanding Share Option ceases to be an Eligible Person by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his/her employment contract or other contract constituting him an Eligible Person (including, among others, causing material misstatement of the financial statements of the Company), or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally or on which he/she has been convicted of any criminal offence involving his/her integrity or honesty, the Share Option shall lapse on the date of his/her dismissal.

(xii) Cancellation of Share Options

The Board at its sole discretion may cancel a Share Option granted but not exercised with the approval of the grantee of such Share Option in certain circumstances, including where it is necessary to comply with the laws in the jurisdictions in which the Eligible Persons and the Company are subject to, or in order to comply with the requirements of any securities exchange. Share Options may be granted to an Eligible Person in place of his/her cancelled Share Options provided that there are available General Scheme Limit and the Service Provider Sublimit approved by the Shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules. The Share Options cancelled will be regarded as utilised for the purpose of calculating the General Scheme Limit and the Service Provider Sublimit.

(xiii) Alteration of capital structure

In the event of any alteration in the capital structure of the Company by way of capitalisation issue, rights issue, subdivision or consolidation of the Shares or reduction of the share capital of the Company (other than an issue of the Shares as consideration in respect of a transaction while any Share Option remains exercisable), such corresponding alterations (if any) will be made in (i) the numbers of the Shares subject to any outstanding Share Options and/or (ii) the exercise price per Share as the independent financial adviser of the Company for the time being or the Auditors shall at the request of the Company or any Grantee certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that the Grantee shall have the same proportion of the total number of Shares in issue, rounded to the nearest whole Share, to which he/she was entitled before such alteration and the aggregate exercise price payable by the relevant holder of the Share Options on the full exercise of any Share Options shall remain as nearly as possible the same as (but not greater than) it was before such event. Save in the case of a capitalisation issue, an independent financial adviser of the Company for the time being or the auditors of our Company must confirm to the Directors in writing that such adjustment(s) satisfy the aforesaid requirements and/or such other requirement prescribed under the Listing Rules from time to time.

(xiv) Rights on a general offer

If a general offer by way of take-over is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Company shall give notice thereof to the Grantee and the Grantee (or his/her personal representatives) may exercise the Share Option to its full extent or to the extent specified in such notice.

(xv) Rights on scheme of arrangement

If a general offer by way of a scheme of arrangement, is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof to the Grantee and the Grantee (or his/her personal representatives) may, by delivering a notice in writing to the Company within seven days of such shareholders' approval, exercise the Share Option to its full extent or to the extent specified in such notice.

(xvi) Rights on voluntary winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions) and thereupon, each Grantee (or his/her legal personal representatives) shall be entitled to exercise all or any of his/her Share Options at any time not later than seven days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the Grantee credited as fully paid.

(xvii) Rights on reconstruction or amalgamation

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (xv) above between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his/her personal representatives) may at any time thereafter, but before such time as shall be notified by the Company, exercise all or any of his/her Share Options, and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Share Options. In the event that the Grantees do not exercise all or any of his/her Share Options before the specified timing, and provided that the then market price of the Share Option is higher than the exercise price of the Share Option, the Board may in its sole discretion, sell the Share Option on behalf of the Grantee, whereby the Grantee will be entitled to receive the cash equivalent from such sale (less any costs incurred by the Company (if any)). In the event that the market price of the Share Option is lower than the exercise price of the Share Option or the Board in its sole discretion decides not to sell the Share Option on the market, the Share Option will automatically lapse.

(xviii) Period of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

(xix) Termination of the Share Option Scheme

The Share Option Scheme shall be terminated on the earlier of:

(a) the tenth (10) anniversary date of the Adoption Date; and

(b) such date of early termination as determined by the Board by a resolution of the Board,

provided that such termination shall not affect any subsisting rights of any Grantee hereunder, following which no further grant of Share Options shall be offered but in all other respects the Share Option Scheme shall continue in full force and effect to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Any Share Options granted prior to such termination, including Share Options exercised or outstanding under the Share Option Scheme, shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xx) Ranking of Shares

The Shares to be issued and allotted upon the exercise of a Share Option shall be subject to the Company's constitutional documents for the time being in force and shall rank *pari passu* in all respects with the Shares in issue as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment. A Share allotted and issued upon the exercise of a Share Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as a holder thereof.

(xxi) Alterations to the Share Option Scheme

The Directors may from time to time in their absolute discretion alter the definition of "Eligible Persons", "Grantee" and "Share Option Period" and the provisions in paragraphs (i), (ii), (iii), (iv)(d), (v) to (xxi) herein which are of a material nature or provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantees or prospective Grantees provided that approval from the Shareholders in general meeting (with Grantees and their associates abstaining from voting) has been obtained. Save for the above, the Board or a committee of the Board may alter the terms of the Share Option Scheme without the approval of the Shareholders in a general meeting. No such alteration shall operate to affect adversely the terms of issue of any Share Option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the Grantees as would be required of the Shareholders under the constitutional documents for the time being of the Company for a variation of the rights attached to the Shares.

Any change to the authority of the Board to alter the terms of the Share Option Scheme shall not be valid unless approved by the Shareholders in general meeting.

Any change to the terms of Share Options granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Share Options requires such approval (except where the alterations take effect automatically under the existing provisions of the Share Option Scheme).

The amended terms of the Share Option Scheme or the Share Options must comply with Chapter 17 of the Listing Rules.

(xxii) Conditions of the Share Option Scheme

The Share Option Scheme is conditional, among others, on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme, such number being not less than that of the General Scheme Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Shares which may fall to be allotted and issued in respect of the Share Options to be granted under the Share Option Scheme.

(xxiii) Miscellaneous

Should there be any discrepancy between English and Chinese versions of the Share Option Scheme, the English version shall prevail.

The Share Option Scheme contains no clawback mechanism to recover or withhold the remuneration to any participants in the event of serious misconduct, material misstatement in the financial statements or other circumstances.

(b) Present status of the Share Option Scheme

(i) Approval of the Stock Exchange required

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

2. Tax and other indemnities

Our Controlling Shareholders (collectively the "**Indemnifiers**") have executed the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally, unconditionally and irrevocably, indemnify each of the members of our Group against the following:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to us at any time on prior to the date on which the Global Offering becomes unconditional (the "**Effective Date**");

(b) taxation (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, matters or things earned, accrued or received, entered into or occurring on or before the Effective Date or arising from the Reorganisation of our Group described in the section headed "History and development" in this Prospectus on or before the Effective Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation, subject to certain exceptions set out below;

(c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance or any other applicable laws, rules or regulations on or before the Effective Date;

(d) all claims, actions, losses, damages, costs or expenses suffered or incurred by any member of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date; and

(e) any damages, losses, liabilities, claims, payments, suits, fines, penalties, settlements, orders, sums, outgoings, fees, expenses and associated costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with the incidents referred to "Business — Legal proceedings and compliance" in this prospectus.

The Indemnifiers will, however, not be liable under the Deed of Indemnity in respect of any taxation referred to in paragraph (b) above:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 1 October 2023 which arises in our ordinary course of business;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 October 2023 unless such taxation or liability would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;

(c) to the extent that such taxation claim or liability would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity;

(d) to the extent that such taxation claim or liability arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or the Cayman Islands or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(e) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 September 2023 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to (d) above to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter.

Our Controlling Shareholders have executed the Deed of Indemnity in favour of us to provide, inter alia, indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any defective title relating to certain properties, and any litigation, arbitration, claims or administrative proceedings, whether of administrative, contractual, tortuous or otherwise nature instituted by or against any member of our Group in relation to events occurred on or before the Listing Date.

3. Litigation

Save as disclosed in "Business — Legal proceedings and compliance" in this prospectus, as at the Latest Practicable Date, we were not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in connection with the Global Offering is HK$3.5 million.

5. No material adverse change

Our Directors confirm that, save as disclosed in this prospectus, there has been no material adverse change in our financial or trading position since 30 September 2023 (being the date of the latest audited consolidated statements of financial position of our Group in the Accountants' Report set out in Appendix I to this prospectus) and up to the date of this prospectus.

6. Preliminary expenses

Our preliminary expenses amounted to approximately RMB50,000. All preliminary expenses and all expenses relating to the Global Offering would be borne by our Company.

7. Promoter

We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the 2 years immediately preceding the date of this prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in Cayman Islands.

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
China Sunrise Capital Limited	Licenced to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
Jingtian & Gongcheng	Legal advisers as to PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Shanghai iResearch Co., Ltd.	Industry consultant

10. Consents of experts

Each of the experts named in "D. Other information — 9. Qualifications of experts" above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report(s), letter(s) or opinion(s) (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

11. Interests of experts in our Company

As at the Latest Practicable Date, none of the persons named in "D. Other information — 9. Qualifications of experts" above is beneficially interested or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

13. Miscellaneous

(a) Save as disclosed in this prospectus, within the 2 years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(d) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Directors have been advised that the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Companies Act; and

(g) our Company has no outstanding convertible debt securities or debentures.

14. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "D. Other information — 10. Consents of experts" in Appendix IV of this prospectus; and

(b) a copy of each of the material contracts referred to in "B. Further Information about our business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.lscx.com.cn** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023;

(d) the report from KPMG in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIA to this prospectus;

(e) the letters in respect of the profit estimate of our Group from KPMG, the reporting accountants, and China Sunrise Capital Limited, the Sole Sponsor, the texts of which are set out in Appendix IIB to this prospectus;

(f) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisers in respect of our Group's certain general business operations and property interests in the PRC;

(g) the letter of advice from Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of the company law of the Cayman Islands, referred to in Appendix III to this prospectus;

(h) the service agreements (including letters of appointment) with each of our Directors referred to in "C. Further information about our Directors and substantial Shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment" in Appendix IV to this prospectus;

(i) the material contracts referred to in "B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(j) the written consents referred to in "D. Other information — 10. Consents of experts" in Appendix IV to this prospectus;

(k) the industry report issued by iResearch;

(l) the rules of the Share Option Scheme; and

(m) the Cayman Companies Act.

Lesi Group Limited
樂思集團有限公司