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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 to provide 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 five months ended 31 May 2023, we served more than 110 customers from various industries, covering technology and internet services, financial services and gaming industries in the PRC.

We believe that a diversified network for ad distribution is crucial to our continuous success 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 31 May 2023, we have established business relationship with 6 media publishers, which are the 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 the 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 in greater need of value-added services 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 capacities is another driver to our business growth. We formulate mobile marketing plans and produce

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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 five months ended 31 May 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB160.7 million and RMB246.7 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.5% and 94.9%, 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 five months ended 31 May 2022 and 2023, the average revenue generated from mobile advertising solutions services per customers amounted to approximately RMB1.4 million and RMB2.4 million, respectively. Such increase was mainly due to our success in serving customers with higher marketing budgets and the strong marketing demand from a new customer, namely Customer M. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the average gross billing from advertisement distribution services per customer were approximately RMB1.4 million, RMB1.9 million, RMB3.3 million, RMB7.3 million and RMB8.7 million, respectively. The significant increase in the average gross billing from advertisement distribution services per customer throughout the Track Record Period was mainly attributable to our success in serving customers with higher marketing budgets and greater demand for traffic volume so as to enhance our operational efficiency.

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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 success and differentiate us from our competitors.

Established relationship with top media partners which operate the 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 the 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 31 May 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 mix 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 31 May 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 five months ended 31 May 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. We have successfully expanded our network for distribution of mobile ads during the Track Record Period. Leveraging on our success, we can distribute mobile ads on different short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app

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stores and social media platforms. We review the mix 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 user 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. Our Directors believe that having an established network for ad distribution with a mix 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 generally 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 of 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.

During the Track Record Period, we had successfully expanded and maintained our network for ad distribution and the number of our media publishers increased from 3 as at 31 December 2020 to 5 as at 31 December 2021 and 2022 and further increased to 6 as at 31 May 2023. 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.

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Our purchase of advertising space from our top media partners is generally affected by the need of our customers on placement of mobile ads on media platforms and their marketing goals. We generally 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 expose 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 maintain 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 in media, 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 reach 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 31 May 2023, our content production team comprised 26 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 five months ended 31 May 2023, we produced more than 19,000, 41,000, 50,000 and 34,000 video clips, respectively. Leveraging on the success of 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.

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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. Leveraging on such production capacities, we were able to expand our mobile advertising solutions services business and 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 five months ended 31 May 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB160.7 million and RMB246.7 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.5% and 94.9%, 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. Leveraging on our competent in-house production capacities, we 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 are recognised by our media publisher that we have in-depth understanding of our customers’ products and are 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 five months ended 31 May 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.

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Established business relationship with sizeable customers

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, which are tailor-made to achieve our customers’ marketing goals and improve their ROI.

We tend to serve customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency as our management believes that these customers generally have stronger advertising needs for promotion of their products and services and are generally sizeable companies with better credibility for more efficient management of our credit risk. 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 generally maintained about 10 months to 6 years of business relationship with our all other 5 largest customers during the Track Record Period, considering that our Group has established business relationship with Customer M since January 2023. 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 have accumulated years of experience in the provision of advertising solutions services to meet marketing goals of sizeable companies. Therefore, we were able to expand 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 five months ended 31 May 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB160.7 million and RMB246.7 million, accounting for an increasing proportion of our total revenue of approximately 90.9%, 92.1%, 92.2%, 92.5% and 94.9%, respectively.

For details, see “Our customers — Key terms of agreement 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.

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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 Group’s success. 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 China 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:*** 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. Moreover, the provision of one-stop mobile advertising solutions services is one of the future trends of the mobile advertising industry in the PRC. To meet customers’ needs and to enhance our competitiveness in the market, we will continue to expand the portfolio of our value-added services as our mobile advertising solutions services. 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, we will also 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. After having considered that the average revenue per customer for mobile advertising solutions services is higher than that for advertisement distribution services during the Track

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Record Period, we expanded our mobile advertising solutions services and there was a growth in our revenue generated from our provision of mobile advertising solutions services, which had contributed to our success and expansion during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our revenue generated from mobile advertising solutions services amounted to approximately RMB343.4 million, RMB433.3 million, RMB454.2 million, RMB160.7 million and RMB246.7 million, respectively. There was also an increase in our customer base for mobile advertising solutions services during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022, we had 35, 52 and 181 customers for mobile advertising solutions services, respectively. Going forward, we will continue to expand our mobile advertising solutions services to meet the demand from customers and capture business opportunities for our continuous growth and development.

- ***Serve customers with higher marketing budgets:*** During the Track Record Period, we tended to serve customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency after having considered that 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 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 higher marketing budgets. Our management believes that customers with higher marketing budgets and demand for traffic volume generally have stronger advertising needs for promotion of their products and services and are generally sizeable companies with better credibility for more efficient management of our credit risk.

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

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

There was an increase in the average revenue per customer from advertisement distribution services during the Track Record Period, 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 and the five months ended 31 May 2022 and 2023, our revenue generated from advertisement distribution services amounted to approximately RMB34.2 million, RMB36.9 million, RMB38.4 million, RMB13.1 million and RMB13.3 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, we had 203, 189, 114, 17 and 15 customers for our advertisement distribution services, respectively and the average revenue per customer therefore amounted to approximately RMB169,000, RMB195,000, RMB337,000, RMB768,000 and RMB888,000, respectively. With the strategy to serve customers with higher marketing budgets, we can focus our resources on exploring business opportunities with new customers with greater demand for traffic volume. 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.

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(ii) Increase in number of customers with higher marketing budget

There was an increase in the number of customers with higher marketing budget (i.e. customers with revenue contribution of over RMB1.0 million) during the Track Record Period. 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. For the five months ended 31 May 2023, we also focused our resources in serving a new customer, namely customer M, which had contributed over RMB60.0 million of our total revenue during the reporting period.

In light of the foregoing, our Directors are of the view that our success is rooted on the implementations of such strategy. Hence, we will continue to serve customers with higher marketing budgets and greater demand for traffic volume.

Our management believes that such strategy is beneficial to our capital and liquidity management because 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 31 May 2023, our prepayments to suppliers amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB293.9 million, representing approximately 38.3%, 38.6%, 50.0% and 55.6% of our total assets, respectively. Such increase 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 five months ended 31 May 2023, the cost of services attributable to media partners which required prepayment accounted for approximately 38.4%, 38.2%, 35.4% and 45.6% of our total cost of services attributable to media partners, respectively. To be able to serve customers with higher marketing budgets and greater demand for traffic volume and to procure more new customers, we need sufficient working capital to finance our prepayments to suppliers and to maintain the health of our cash flow. As at the Latest Practicable Date, the [REDACTED] of our Group are not earmarked for prepayment to any specific media publishers. We also plan to procure new customers with high marketing budgets to expand our business for our continuous growth. We may need to arrange prepayment for acquisition of advertising space for new customers. Thus, we need additional working capital to facilitate our business development. We intend to apply approximately RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) to strengthen our capital base to expand our mobile advertising business;

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- ***Expand our network for ad distribution:*** We believe that a diversified network for ad distribution is crucial to our continuous success and development in the industry. With a diversified 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 five months ended 31 May 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 6 to 7 and expand our network for ad distribution on various social media 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 31 May 2023, our deposits paid to media partners amounted to approximately RMB20.9 million, RMB22.5 million, RMB10.0 million and RMB8.1 million, respectively. See “Financial information — Major components of consolidated statements of financial position — Trade and other receivables” in this document. 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 working capital. However, with additional working capital, 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 working capital for use as our refundable deposits to media partners. We intend to apply approximately RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) for payment of refundable deposits to media platforms when we expand our network for ad distribution; and

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- ***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 sizeable 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 2023. 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 2023. We intend to apply approximately RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) 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 sizeable 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 above, 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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) for the development of our production base in Changsha and to develop various shooting scenarios and update our on-site filming facilities;

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- **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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) 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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) 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 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

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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 plan to 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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) for upgrading the system of our self-developed platform for internal use.

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- ***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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) for the upgrade of our self-developed platform for external use. We expect that such upgrade of our platform will be funded by the [REDACTED] from the [REDACTED] in full. In the event that the [REDACTED] from the [REDACTED] 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 [REDACTED] from the [REDACTED]. 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

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- ***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 10 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; 2 additional ad designers with approximately 2 years of industry experience; and 1 additional data analyst with approximately 1 to 2 years of industry experience for the year ending 31 December 2023. We intend to apply approximately RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) 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.

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.

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Moreover, we intend to pursue merger and acquisition opportunities from upstream and downstream industry participants 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 RMB[REDACTED] [REDACTED] (representing approximately HK\$[REDACTED] [REDACTED]) from the [REDACTED] (representing approximately [REDACTED]% of our [REDACTED] from the [REDACTED]) for the merger and acquisition opportunities in the advertising and marketing industry.

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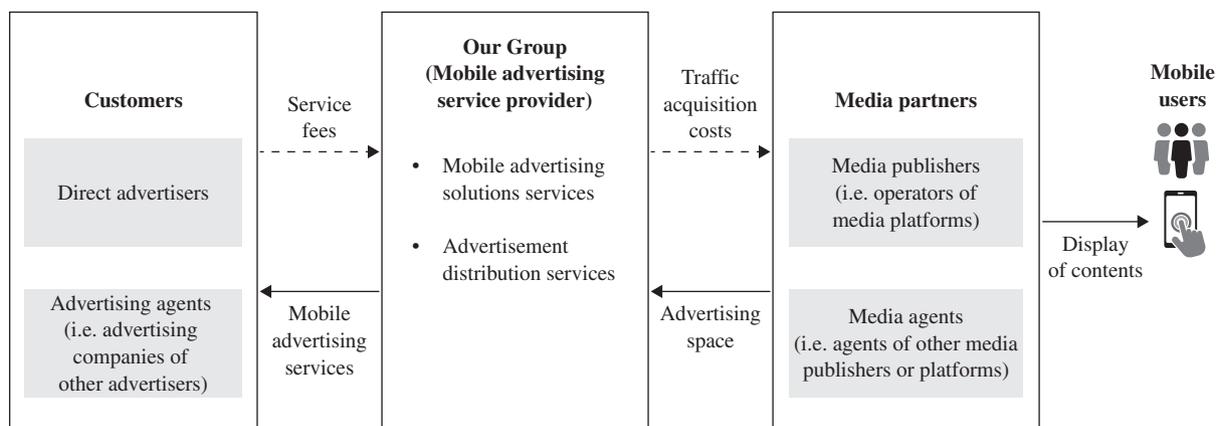
OUR BUSINESS

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 to provide 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):



Note: —————▶ Denotes flow of business

-----▶ Denotes flow of funds

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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. 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 accumulation 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.

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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 the 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 to provide comprehensive services as well as standalone services to customers to meet their different needs. 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 94.9% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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 five months ended 31 May 2023, our traffic acquisition costs accounted for approximately 97.0%, 96.7%, 96.9% and 97.4% of our total cost of services for the corresponding periods, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, our gross profit margin of our mobile advertising solutions services was approximately 12.4%, 13.1%, 14.2% and

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12.1%, 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 document.

Our advertisement distribution services

We offer advertisement distribution services as our standalone services. Such services include acquisition of advertising space and ad distribution. We recognise revenue from advertisement distribution services on net basis. Our revenue from advertisement distribution services accounted for approximately 9.1%, 7.9%, 7.8% and 5.1% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively. The cost of our advertisement distribution services comprises traffic acquisition costs. The gross margin of our gross billing reconciled on a net basis 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 10.3% for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively. See “Financial information — Key components of our results of operations — Revenue” in this document.

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. Based on the above, our Directors are of the view that the risk profiles on provisions of mobile advertising solutions services and advertisement distribution services are substantially the same.

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

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
	<i>(unaudited)</i>									
Mobile advertising solutions services ⁽¹⁾	343,438	90.9	433,250	92.1	454,156	92.2	160,705	92.5	246,749	94.9
Advertisement distribution services ⁽²⁾	34,229	9.1	36,930	7.9	38,414	7.8	13,055	7.5	13,324	5.1
Total	377,667	100.0	470,180	100.0	492,570	100.0	173,760	100.0	260,073	100.0

Notes:

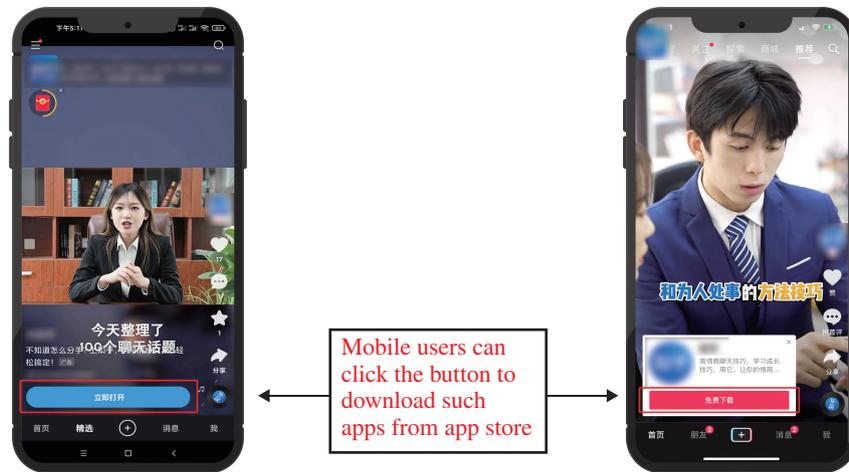
1. It included our revenue generated from the provision of comprehensive mobile advertising solutions services, which include the provisions of ad creatives and ad optimisation as standalone services. We have a role as principal in these transactions and our revenues from provision of these services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

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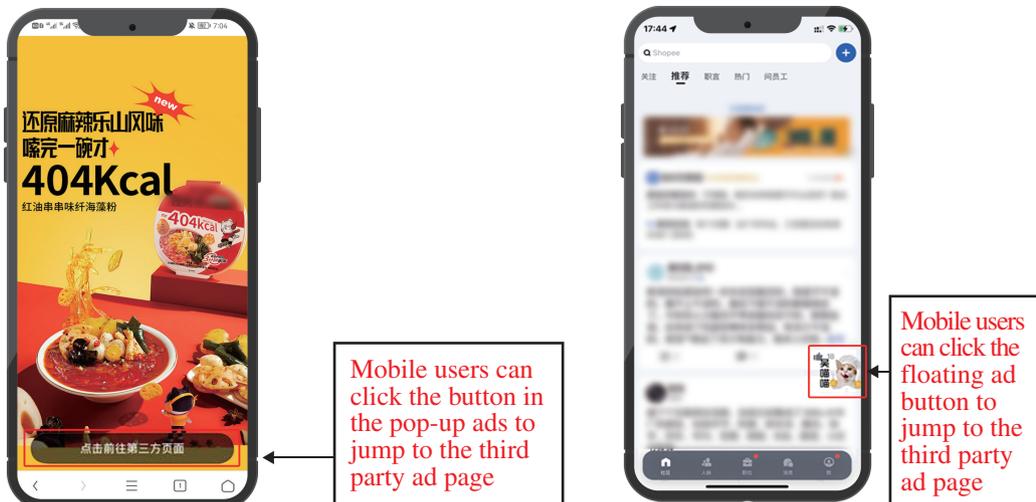
Key features of our mobile ads

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

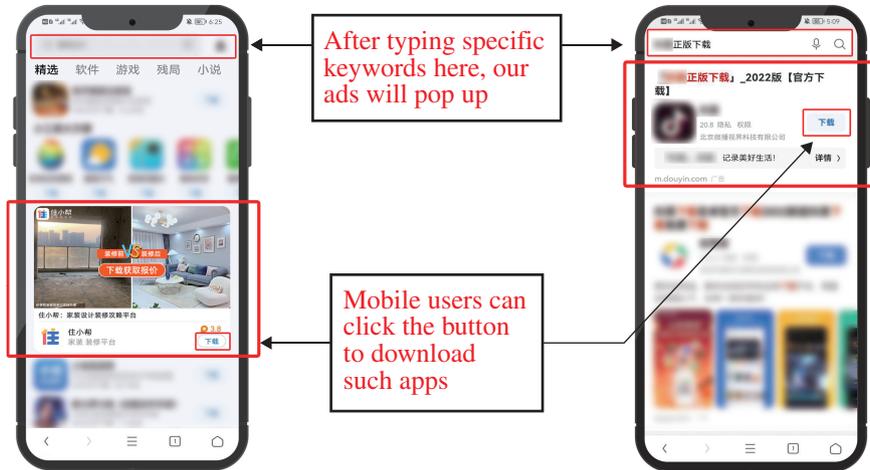


Pop-up ads in still image format

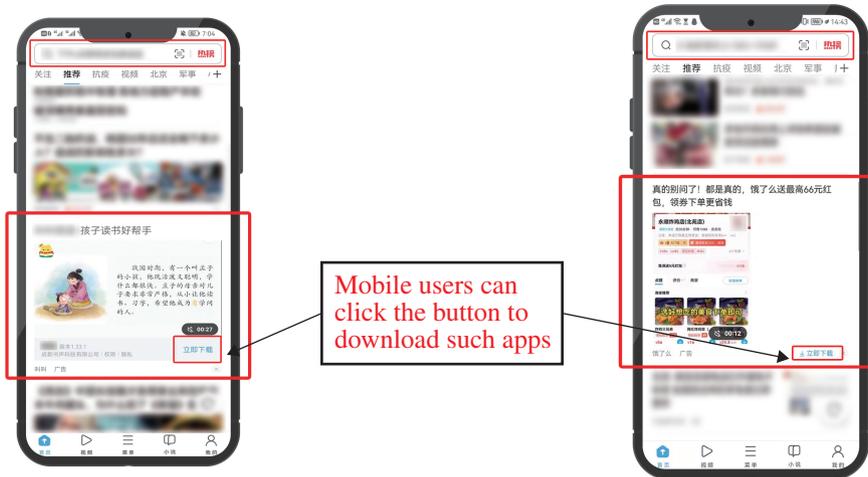
Floating ads in still image format

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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



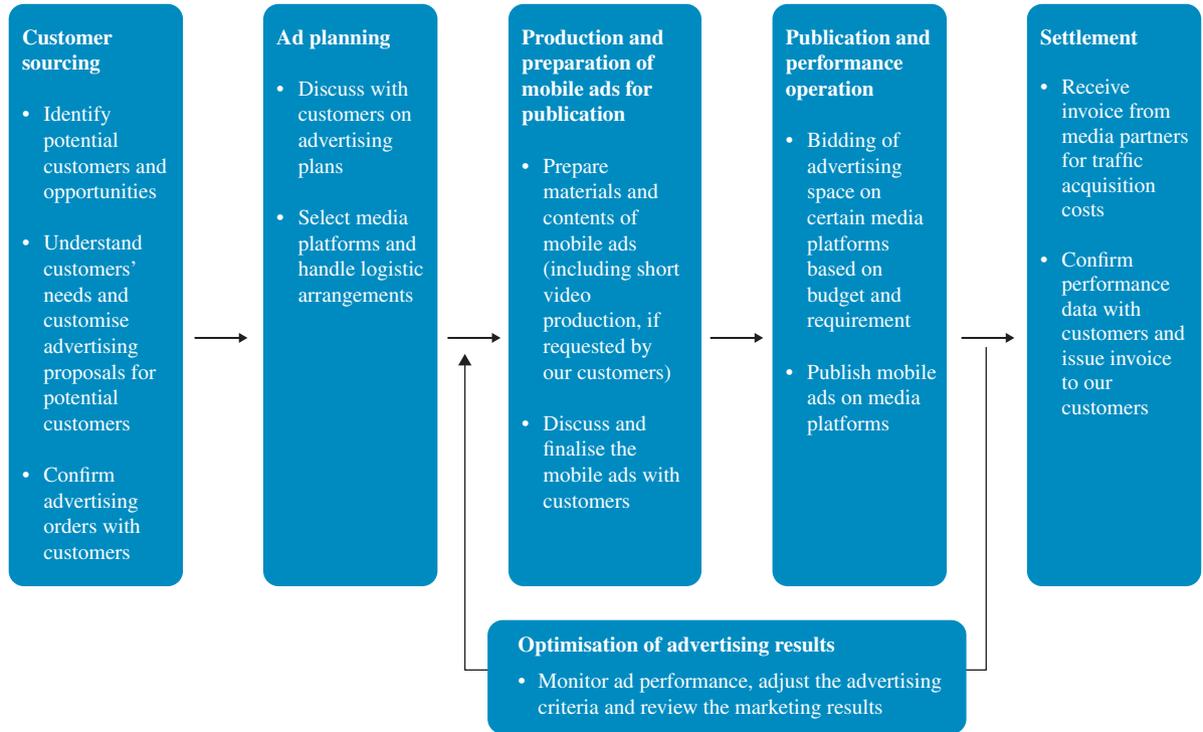
In-feed ads in still image format in slideshow mode with audio function

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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 and 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 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.

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- (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.

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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

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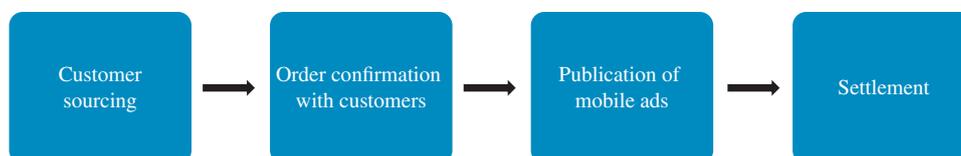
ads on daily basis to see the effectiveness of mobile ads and whether there are abnormal circumstances during the publication of mobile ads. We would then discuss the performance and effectiveness of our mobile ads and may adjust the bid price or criteria, advertising contents or other advertising criteria, 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. Leveraging on our success in optimising ad performance of mobile ads, 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



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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.

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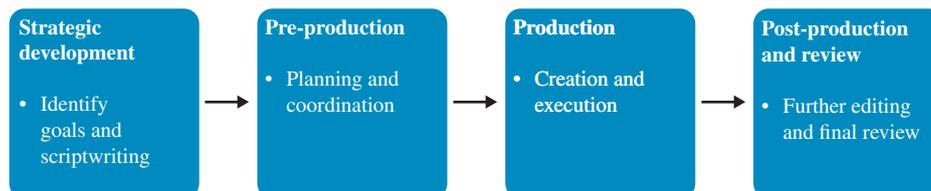
We distribute mobile ads on media platforms upon the receipt of ad campaign orders from customers and we do not control nor manage the overall ad campaign. We act as an agent and record the service fees received from our customers and the traffic acquisition costs paid to our media platforms for ad distribution 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 31 May 2023, our content production team consists of 26 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.

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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 [REDACTED] — [REDACTED]” in this document. 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 five months ended 31 May 2023, we produced more than 19,000, 41,000, 50,000 and 34,000 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.

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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. Leveraging on our success in optimising ad performance, 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 five months ended 31 May 2022 and 2023, there were 24, 10, 14, 3 and 20 customers which engaged us for our ad optimisation services. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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, RMB8.6 million and RMB20.3 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, RMB1.7 million and RMB2.4 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our gross profit generated from ad optimisation services amounted to approximately RMB26.7 million, RMB27.6 million, RMB35.2 million, RMB6.8 million and RMB17.8 million, respectively, and the gross profit margin of our ad optimisation services were approximately 89.0%, 85.9%, 87.7%, 80.0% and 87.9%, 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 five months ended 31 May			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Still image and text	174,700	46.3	251,897	53.6	179,470	36.4	68,965	39.7	22,882	8.8
Short video	202,967	53.7	218,283	46.4	313,100	63.6	104,795	60.3	237,190	91.2
Total	<u>377,667</u>	<u>100.0</u>	<u>470,180</u>	<u>100.0</u>	<u>492,570</u>	<u>100.0</u>	<u>173,760</u>	<u>100.0</u>	<u>260,073</u>	<u>100.0</u>

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

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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 five months ended 31 May 2022 and 2023, our revenue from mobile ads in still image and text decreased from approximately RMB69.0 million to RMB22.9 million. Such decrease was mainly attributable to the decrease in demand from customers for placement of mobile ads on app stores and social media platform, which generally display our mobile ads in still image and text format. For the five months ended 31 May 2022 and 2023, our revenue from mobile ads in short video format increased from approximately RMB104.8 million to RMB237.2 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 five months ended 31 May			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
App stores ⁽¹⁾	110,894	29.4	107,141	22.8	47,422	9.6	32,886	18.9	4,292	1.7
Search engines, mobile browsers and news and information content platforms ⁽²⁾	97,831	25.9	77,881	16.6	124,766	25.3	35,266	20.3	49,433	19.0
Short video platforms ⁽³⁾	139,340	36.9	192,056	40.9	265,090	53.8	72,391	41.7	193,089	74.2
Social media platform ⁽⁴⁾	—	—	72,092	15.3	20,060	4.1	19,966	11.5	—	—
Others ⁽⁵⁾	29,602	7.8	21,010	4.5	35,232	7.2	13,251	7.6	13,259	5.1
Total	377,667	100.0	470,180	100.0	492,570	100.0	173,760	100.0	260,073	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.

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For the year ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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, RMB 72.4 million and RMB193.1 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. 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 five months ended 31 May 2022 and 2023, our revenue from mobile ads placed on app stores amounted to approximately RMB110.9 million, RMB107.1 million, RMB47.4 million, RMB32.9 million and RMB4.3 million, respectively. Such decrease was primarily attributable to the 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 generally 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 generally 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 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). For placement of mobile ads on advertising alliance platforms, we generally 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.

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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 document.

For our standalone short video production services, we generally 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 five months ended 31 May			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Performance-based models (CPC, CPD and CPA)	169,177	44.8	173,626	36.9	149,626	30.4	48,990	28.2	47,115	18.1
Non-performance based models (CPM and CPT)	202,788	53.7	276,341	58.8	317,594	64.5	118,655	68.3	202,136	77.7
Others <i>(Note)</i>	<u>5,702</u>	<u>1.5</u>	<u>20,213</u>	<u>4.3</u>	<u>25,350</u>	<u>5.1</u>	<u>6,114</u>	<u>3.5</u>	<u>10,822</u>	<u>4.2</u>
	<u><u>377,667</u></u>	<u><u>100.0</u></u>	<u><u>470,180</u></u>	<u><u>100.0</u></u>	<u><u>492,570</u></u>	<u><u>100.0</u></u>	<u><u>173,760</u></u>	<u><u>100.0</u></u>	<u><u>260,073</u></u>	<u><u>100.0</u></u>

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

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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. During the Track Record Period, (i) mobile ads placed on app stores or placed through advertising alliance platforms would generally adopt performance-based pricing model and (ii) mobile ads placed on short video platforms and social media platforms would generally adopt non-performance-based pricing model.

For the years ended 31 December 2020, 2021 and 2022, 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. For the five months ended 31 May 2022 and 2023, our revenue from mobile ads charged based on non-performance-based models amounted to approximately RMB118.7 million and RMB202.1 million, respectively. Such increases were mainly attributable to the increase in our mobile ads placed on short video platforms and which is 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. During the Track Record Period, the increase in our revenue from mobile ads charged based on non-performance-based model was mainly attributable to the increase in mobile ads placed on the social media platform.

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. As such, despite our advertisement distribution services business takes up our working capital, we intend to continue to provide advertisement distribution services and mobile advertising solutions services and intend to serve customers with higher marketing budgets and demand for traffic volume so that we can expand our demand for advertising space from our media partners.

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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.

During the Track Record Period, the rebates from 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.

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 five months ended 31 May 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 27.7%, 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 account payables to them for acquisition of advertising space purchased and the rebates were generally at a rate of 37%. During the Track Record Period, the majority of our media agents did not offer rebates. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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 6.3%, respectively. During the Track Record Period, the rebates from media agents were generally settled by deduction of our account payables to them for acquisition of advertising space purchased and as our prepayments or settled 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

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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 year ended 31 December			For the five months ended 31 May	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Settled by deduction of accounts payables	42,419	93,669	66,554	27,233	27,564
Settled as prepayments	—	—	4,401	1,451	3,122
Settled by cash	49,580	38,803	28,802	8,657	20,813
Total	91,999	132,472	99,757	37,341	51,499

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the aggregate amount of rebates from media partners were approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB37.3 million and RMB51.5 million, representing approximately 16.9%, 19.3%, 13.9%, 14.8% and 15.8% 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 (i) the increase in purchase of advertising space from a customer which is an advertising agent for our advertisement distribution services and (ii) the rebates from Supplier H which first became our media partner in 2021 and has more favourable rebate policies as compared to other media partners. The decrease in the proportion of rebates for the year ended 31 December 2022 as compared to the same period in 2021 was mainly attributable to the increase in our purchase of advertising space from certain media agents which generally offer less rebates but more favourable payment terms and the decrease in our purchase of advertising space from certain media partners, which have more favourable rebate policies as compared to other media partners. The increase in the proportion of rebates to traffic acquisition costs for the five months ended 31 May 2023 as compared to the five months ended 31 May 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.

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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 document. 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 five months ended 31 May 2022 and 2023, the total rebates from media partners amounted to approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB37.3 million and RMB51.5 million, of which we passed on to our customers approximately RMB60.8 million, RMB86.0 million, RMB57.0 million, RMB26.2 million and RMB35.4 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.

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In revenue recognition, we generally 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).
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. Such rebates 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. Such rebates 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.

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	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 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.
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 five months ended 31 May 2023, our adjusted gross profit with rebates from suppliers and to customers being excluded was approximately RMB45.7 million, RMB47.2 million, RMB60.3 million and RMB27.2 million, respectively, while our net profit with rebates excluded was approximately RMB18.6 million, RMB11.0 million, RMB25.5 million and RMB7.9 million, respectively. Our Company would make accruals for the rebates based on estimation and make adjustment when the media partners confirmed the rebates. For details, see note 3(b)(i) of the accountants’ report set out in Appendix I to this document.

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 five months ended 31 May			
	2020		2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Mobile advertising solutions services (on gross basis) ⁽¹⁾	343,438	90.9	433,250	92.1	454,156	92.2	160,705	92.5	246,749	94.9
Advertisement distribution services (on net basis) ⁽²⁾	<u>34,229</u>	<u>9.1</u>	<u>36,930</u>	<u>7.9</u>	<u>38,414</u>	<u>7.8</u>	<u>13,055</u>	<u>7.5</u>	<u>13,324</u>	<u>5.1</u>
Total	<u><u>377,667</u></u>	<u><u>100.0</u></u>	<u><u>470,180</u></u>	<u><u>100.0</u></u>	<u><u>492,570</u></u>	<u><u>100.0</u></u>	<u><u>173,760</u></u>	<u><u>100.0</u></u>	<u><u>260,073</u></u>	<u><u>100.0</u></u>

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 ad distribution services as standalone services. We have a role as agent in these transactions and our revenue from these services is recognised on net basis.

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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 five months ended 31 May	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Gross billing	285,896	357,883	377,691	124,922	128,774
Less: Traffic acquisition costs from media partners	<u>251,667</u>	<u>320,953</u>	<u>339,277</u>	<u>111,867</u>	<u>115,450</u>
	<u>34,229</u>	<u>36,930</u>	<u>38,414</u>	<u>13,055</u>	<u>13,324</u>

The gross margin of our gross billing reconciled on a net basis 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% and 10.3% for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively.

The decrease in gross profit 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 certain media partners.

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.

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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 document.

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.

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Our prepayments to suppliers mainly represent the traffic acquisition costs prepaid for the customers of our Group and will be subsequently utilised when the mobile ads are placed. It primarily included (i) the traffic acquisition costs paid to media partners by our Group in relation to our provision of advertisement distribution services and such costs would be settled by customers for our advertisement distribution services subsequently and (ii) the prepayments required by suppliers for acquisition of advertising space. As at 31 December 2020, 2021 and 2022 and 31 May 2023, our prepayments to suppliers amounted to approximately RMB146.7 million, RMB179.3 million, RMB251.1 million and RMB293.9 million, respectively. As at 31 December 2020, 2021 and 2022 and 31 May 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 RMB221.4 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 RMB72.5 million, respectively. See “Financial information — Major components of consolidated statements of financial position — Trade and other receivables” in this document.

Other than prepayments, our media partners would generally require us to provide deposits to them. Our 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. As at 31 December 2020, 2021 and 2022 and 31 May 2023, our deposits paid to media partners amounted to approximately RMB20.9 million, RMB22.5 million, RMB10.0 million and RMB8.1 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, the refund of deposits from media partners to our Group amounted to approximately RMB49.3 million, RMB12.6 million, RMB12.6 million and RMB9.2 million, respectively. See “Financial information — Major components of consolidated statements of financial position — Trade and other receivables” in this document.

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.

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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. For more details, see “Financial information — Major components of consolidated statements of financial position — Trade and other receivables” in this document. 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 31 May 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 RMB293.9 million, respectively, representing approximately 38.3%, 38.6%, 50.0% and 55.6% of our total assets respectively.

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, the average trade receivable turnover days (based on gross billing) were approximately 71 days, 83 days, 75 days and 62 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 16 days, respectively.

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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 and we may not be able to recover our prepayments in part or in full from our media partners” in this document.

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, 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;

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- (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; and (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.

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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 RMB14.3 million for the year ended 31 December 2020 to a positive record of 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 3.5 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 [REDACTED] 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 periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2020	2021	2022	2022	2023
	<i>No. of customers</i>	<i>No. of customers</i>	<i>No. of customers</i>	<i>No. of customers</i>	<i>No. of customers</i>
Direct advertisers	135	156	197	92	94
Advertising agents	103	85	98	40	25
Total	238	241	295	132	119

During the Track Record Period, there has been continual increase in the number of direct advertisers. Such changes were mainly attributable to the increase in number of customers for our mobile advertising solutions services as we expanded our mobile advertising solutions services.

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 periods indicated:

	For the year ended 31 December									For the five months ended 31 May					
	2020			2021			2022			2022			2023		
	Number	Revenue <i>RMB'000</i>	Average ⁽¹⁾ <i>RMB'000</i>	Number	Revenue <i>RMB'000</i>	Average ⁽¹⁾ <i>RMB'000</i>	Number	Revenue <i>RMB'000</i>	Average ⁽¹⁾ <i>RMB'000</i>	Number	Revenue <i>RMB'000</i>	Average ⁽¹⁾ <i>RMB'000</i>	Number	Revenue <i>RMB'000</i>	Average ⁽¹⁾ <i>RMB'000</i>
New customers	109	50,995	468	142	158,950	1,119	74	120,649	1,630	35	12,297	351	38	64,091	1,687
Recurring customers	129	326,672	2,532	99	311,230	3,144	221	371,921	1,683	97	161,463	1,665	81	195,982	2,420
Total	238	377,667	1,587	241	470,180	1,951	295	492,570	1,670	132	173,760	1,316	119	260,073	2,185

Note: It refers to the average revenue per customer.

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During the Track Record Period, we tended to serve customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency. Our management believes that customers with higher marketing budgets and demand for traffic volume generally have stronger advertising needs for promotion of their products and services and are generally sizeable companies with better credibility for more efficient management of our credit risk. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, the average revenue per customer, which is measured by our total revenue divided by the number of customers, amounted to approximately RMB1.6 million, RMB2.0 million, RMB1.7 million and RMB2.2 million, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, 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, RMB1.6 million and RMB1.7 million, respectively. Such increase in average revenue per new customer was mainly attributable to the effort of our management on exploring new business opportunities with customers with higher marketing budgets. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, 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, RMB1.7 million and RMB2.4 million, respectively. The decrease in the average revenue per recurring customers in 2022 was mainly attributable to the further expansion of customer base of our mobile advertising solutions services in 2022 and 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 years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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%, 73.5% and 68.1%, 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 and implemented our strategy in serving customers with higher marketing budgets 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 during the Track Record Period. 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 slight decrease in our retention rate from approximately 73.5% for the five months ended 31 May 2022 to approximately 68.1% for the five months ended 31 May 2023 was primarily attributable to the effort of our management on exploring new business opportunities with customers with higher marketing budgets. And, there was a significant increase in the average revenue per new customer from approximately RMB351,000 for the five months ended 31 May 2022 to approximately RMB1.7 million for the five months ended 31 May 2023.

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Movement and average revenue of our customers

The following tables set 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 periods indicated:

	2020			For the year ended 31 December			2022			For the five months ended 31 May			2023		
	Number ⁽¹⁾	Revenue RMB'000	Average ⁽²⁾ RMB'000	Number ⁽¹⁾	Revenue RMB'000	Average ⁽²⁾ RMB'000	Number ⁽¹⁾	Revenue RMB'000	Average ⁽²⁾ RMB'000	Number ⁽¹⁾	Revenue RMB'000 <i>(unaudited)</i>	Average ⁽²⁾ RMB'000 <i>(unaudited)</i>	Number ⁽¹⁾	Revenue RMB'000	Average ⁽²⁾ RMB'000
Mobile advertising solutions services⁽¹⁾	35	343,438	9,813	52	433,250	8,332	181	454,156	2,509	115	160,705	1,397	104	246,749	2,373
New customers	18	39,234	2,180	35	141,342	4,038	71	117,250	1,651	32	12,277	384	35	63,778	1,822
Recurring customers ⁽³⁾	17	304,204	17,894	17	291,908	17,171	110	336,906	3,063	83	148,428	1,788	69	182,971	2,652
Advertisement distribution services	203	34,229	169	189	36,930	195	114	38,414	337	17	13,055	768	15	13,324	888
New customers	91	11,761	129	107	17,608	165	3	3,399	1,133	3	20	7	3	313	104
Recurring customers	112	22,468	201	82	19,322	236	111	35,015	315	14	13,035	931	12	13,011	1,084
Total	238	377,667	1,587	241	470,180	1,951	295	492,570	1,670	132	173,760	1,316	119	260,073	2,185

Notes:

- 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 five months ended 31 May 2022 and 2023, there were 4, 0, 10, 5 and 3 customers which engaged us for both of our mobile advertising solutions services and advertisement distribution services, respectively. These customers are not included in the number of customers for our advertisement distribution services.
- It refers to the average revenue per customer.
- During the Track Record Period, there were migration of customers from our advertisement distribution services to mobile advertising solutions services leveraging on the success of services and under the continual effort of our management. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, there were 13, 4, 88, 49 and 4 customers migrated to our mobile advertising solutions services, 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. For the years ended 31 December 2020, 2021 and 2022, 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 average revenue per customer for mobile advertising solutions services is significantly higher than that for advertisement distribution services during the Track Record Period. 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 five months ended 31 May 2022 and 2023, we had 115 and 104 customers

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for our mobile advertising solutions services, respectively. Such decrease was mainly attributable to the effort of our management on serving customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency.

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. 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 [REDACTED] — [REDACTED]” in this document.

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.

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 success in exploring new business opportunities with customers having higher marketing budgets. The decrease in 2022 was mainly attributable to our continual expansion of mobile advertising solutions services with customers of different budget range.

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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 the continuous expansion of our customer base and the migration of customers to our mobile advertising solutions services from our advertisement distribution services and these customers generally have lower average spending.

For the five months ended 31 May 2022 and 2023, (i) the average revenue from mobile advertising solutions services per customer amounted to approximately RMB1.4 million and RMB2.4 million, respectively, (ii) the average revenue from mobile advertising solutions services per new customers amounted to approximately RMB0.4 million to RMB1.8 million, respectively, and (iii) the average revenue from mobile advertising solutions services per recurring customers amounted to approximately RMB1.8 million to RMB2.7 million, respectively. Such increase was mainly due to our success in serving customers with higher marketing budgets and the strong marketing demand from a new customer, namely Customer M.

Decrease in the number of customers for our advertisement distribution services

During the Track Record Period, there was a decrease in the number of customers for our advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, we had 203, 189, 114, 17 and 15 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 higher marketing budgets and demand for traffic volume to enhance our operational efficiency, and the expansion of 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 mobile advertising solutions services during the Track Record Period. 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 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 higher marketing budgets. 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. Due to the above reasons, there was a significant decrease in the number of customers for our advertisement distribution 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 during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, our revenue generated from provision of advertisement distribution services amounted to approximately RMB34.2 million, RMB36.9 million, RMB38.4 million, RMB13.1 million and RMB13.3 million, respectively.

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Increase in the average revenue from advertisement distribution services per customer

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, 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, RMB337,000, RMB768,000 and RMB888,000, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, 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, RMB1.1 million, RMB7,000 and RMB104,000, respectively. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, 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, RMB315,000, RMB931,000 and RMB1.1 million, respectively. Such increases were mainly attributable to our success in serving customers for our advertisement distribution services with higher marketing budgets and greater demand for traffic volume to enhance our operational efficiency.

Increase in the average gross billing from advertisement distribution services per customer

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2022 and 2023, the gross billing recorded from our provision of advertisement distribution services amounted to approximately RMB285.9 million, RMB357.9 million, RMB377.7 million, RMB124.9 million and RMB128.8 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, RMB3.3 million, RMB7.3 million and RMB8.7 million, respectively. The significant increase in the average gross billing from advertisement distribution services per customer throughout the Track Record Period was mainly attributable to our success in serving customers with higher marketing budgets and greater demand for traffic volume so as to enhance our operational efficiency.

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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 periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2020		2021		2022		2022		2023	
	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾
							<i>(unaudited)</i>			
Technology and internet services ⁽¹⁾	295,907	78.4	305,779	65.0	272,982	55.4	100,107	57.6	192,341	74.0
Gaming	874	0.2	3,893	0.8	16,724	3.4	1,295	0.8	719	0.3
Financial services	6,955	1.9	4,684	1.0	3,586	0.7	995	0.6	216	0.1
Publishing media	136	0.0	99	0.0	13,721	2.8	1,524	0.9	16,987	6.5
E-commerce	582	0.2	6,376	1.4	18,855	3.8	9,268	5.4	168	0.1
Medical health	—	0.0	7,374	1.6	6,465	1.3	3,988	2.3	92	0.0
Travel	171	0.0	1,162	0.2	27,568	5.6	7,866	4.5	38	0.0
Energy	—	0.0	6,114	1.3	9,681	2.0	2,270	1.3	5,477	2.1
Others ⁽²⁾	153	0.0	3,279	0.7	936	0.2	297	0.2	1	0.0
Advertising agents ⁽³⁾	72,889	19.3	131,420	28.0	122,052	24.8	46,150	26.4	44,034	16.9
	<u>377,667</u>	<u>100.0</u>	<u>470,180</u>	<u>100.0</u>	<u>492,570</u>	<u>100.0</u>	<u>173,760</u>	<u>100.0</u>	<u>260,073</u>	<u>100.0</u>

Notes:

- (1) Include technology companies which provide a wide range of products and services including app store, social 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) These advertising agents engaged us for advertising services on behalf of their advertisers, which are 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 five months ended 31 May 2022 and 2023, our revenue generated from this industry amounted to approximately RMB100.1 million and RMB192.3 million, representing approximately 57.6% and 74.0% of our revenue, respectively. Such increase was mainly attributable to the strong marketing demand from a new customer, namely Customer M.

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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 adverse impact on the business of our Group’s customers may affect our business” in this document. 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 five months ended 31 May 2022 and 2023, our revenue from this industry amounted to approximately RMB1.3 million and RMB0.7 million, representing approximately 0.8% and 0.3% 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 five months ended 31 May 2023, all of our 5 largest customers 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 55.9% 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 provide 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.

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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 generally 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 generally 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.

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- (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.

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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 and intellectual property infringement claims, which may harm our business due to the nature of our business” in this document.

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. For further details, see “Regulatory overview — Laws and regulations relating to advertising business” in this document.

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.

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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 periods indicated:

	2020			For the year ended 31 December 2021			2022			For the five months ended 31 May 2022			2023		
	No. of media partners		%	No. of media partners		%	No. of media partners		%	No. of media partners		%	No. of media partners		%
	RMB'000			RMB'000			RMB'000			RMB'000			RMB'000		
Media publishers	3	261,907	89.8	5	353,243	97.1	5	219,890	58.3	5	120,992	85.9	5	139,559	66.1
Media agents	37	29,805	10.2	23	10,708	2.9	55	157,505	41.7	34	19,820	14.1	34	71,564	33.9
Total	40	291,712	100.0	28	363,951	100.0	60	377,395	100.0	39	140,812	100.0	39	211,123	100.0

Note: Our media publishers include Supplier A, Alibaba Group, Supplier C, Supplier H and Supplier I, while our media agents include all our media partners apart from the media publishers. Media agents include media agents for placement of mobile ads on advertising alliance platforms. For the five months ended 31 May 2023, we are a distributor of 6 media publishers. We were exploring opportunities to place mobile ads of our customers in still image and text format on the media platform operated by such new media publisher and no traffic acquisition has been acquired from this new media publisher for the five months ended 31 May 2023.

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 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 five months ended 31 May 2022 and 2023, our traffic acquisition costs from media agents amounted to approximately RMB19.8 million and RMB71.6 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.

BUSINESS

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 31 May 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 2023. 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. |

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- (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.

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CUSTOMERS

During the Track Record Period, our customers were primarily consisted of advertisers and advertising agents. Advertisers are direct advertisers in different industries with advertising needs to promote their brands, products and/or services on media platforms. Advertising agents are advertising companies which engage our Group on behalf of their advertisers. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, we served 238, 241, 295 and 119 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 higher marketing budgets and demand for traffic volume to enhance our operational efficiency. Our management believes that customers with higher marketing budgets and demand for traffic volume generally have stronger advertising needs for promotion of their products and services and are generally sizeable companies with better credibility for more efficient management of our credit risk. Moreover, customers with higher marketing budgets and greater demand for traffic volume 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 document. 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 accumulation 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 are 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 five months ended 31 May 2023, our 5 largest customers collectively accounted for approximately 75.4%, 67.3%, 48.0% and 61.8% of our total revenue, respectively, and revenue from our largest customer accounted for approximately 31.0%, 24.0%, 16.3% and 23.4% of our total revenue, respectively. Considering that our Group has established business relationship with Customer M since January 2023, we have maintained amiable and strategic business relationships with our all other 5 largest customers during the Track Record Period for about 10 months 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.

BUSINESS

The following tables set out the background information of the 5 largest customers for each financial year 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	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	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 (monthly active users) 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\$3.0 trillion as at 31 May 2023.	2017	45 days from receipt of invoice	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 (monthly active users) 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\$269.2 billion as at 31 May 2023.	2017	15 days from receipt of invoice	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	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 platforms in the PRC. Its app had an average MAUs (monthly active users) 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\$189.2 billion as at 31 May 2023.	2018	30 days from receipt of invoice	16,184	4.3	
							Sub-total	285,030	75.4
							All other customers	92,637	24.6
							Total	<u>377,667</u>	<u>100.0</u>

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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	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\$5.0 billion as at 31 May 2023.	2018	45 days from receipt of invoice	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	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 RMB1.6 billion as at 31 May 2023.	2021	90 days from the execution order ⁽⁶⁾	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 (monthly active users) 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\$3.0 trillion as at 31 May 2023.	2017	45 days from receipt of invoice	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 (monthly active users) 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\$269.2 billion as at 31 May 2023.	2017	15 days from receipt of invoice	26,709	5.7	
							Sub-total	316,068	67.3
							All other customers	154,112	32.7
							Total	<u>470,180</u>	<u>100.0</u>

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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	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\$5.0 billion as at 31 May 2023.	2018	45 days from receipt of invoice	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	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	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	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\$27.4 billion as at 31 May 2023.	2021	30–60 days from receipt of invoice	24,277	4.9	
							Sub-total	236,518	48.0
							All other customers	256,052	52.0
							Total	492,570	100.0

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For the five months ended 31 May 2023

Rank	Customers ⁽¹⁾	Type of customers	Major services provided by us	Background and principal business	Commencement year of business relationship	Typical credit terms	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 sizeable online entertainment platforms in the PRC. For the five months ended 31 May 2023, it has promoted more than 230 web series and had a strong marketing need for promotion of its web series. It has a registered capital of RMB1 million.	2023	Prepayment	60,916	23.4	
2.	Customer A	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	39,108	15.0	
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	29,728	11.4	
4.	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	30–60 days from receipt of invoice	15,807	6.1	
5.	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	15,265	5.9	
							Sub-total	160,824	61.8
							All other customers	99,249	38.2
							Total	260,073	100.0

Notes:

- 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.
- Customer A was simultaneously in the capacity as Supplier C during the Track Record Period.
- Customer D was simultaneously in the capacity as Supplier A during the Track Record Period.
- Customer G was simultaneously in the capacity as Supplier I for the year ended 31 December 2021.

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5. See “Overlapping of customers and suppliers” in this section for further details.
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, 2022 and the five months ended 31 May 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 (i) 70% by a technology company founded in 2020, which is principally engaged in online game development and short drama content creation in the PRC; and (ii) 30% by a consulting company founded in 2021, which is principally engaged in business management and marketing in the PRC. The controlling shareholder of Customer M is indirectly owned as to 40% by a company listed in Hong Kong, which operates a leading mobile live streaming platform in the PRC and provided such controlling shareholder of Customer M with investment of more than RMB10 million in 2020. All of these companies are Independent Third Parties.
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 for each financial year 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 for each financial year during the Track Record Period.

Customers concentration

For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, our 5 largest customers aggregately accounted for approximately 75.4%, 67.3%, 48.0% and 61.8% 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) according to the iResearch Report, it is not uncommon for mobile advertising service providers in the PRC to generate major proportion of revenue from one or few sizeable 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;

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- (ii) we have established business relationship with our 5 largest customers for each financial year during the Track Record Period, and some of them are sizeable and 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 better advertising budgets 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 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 diversified 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 31 May 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 diversified 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 to provide 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.

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- **Extensive experience in serving sizeable customers:** Over years of our operation, we have accumulated solid experience in the provision of mobile advertising services to sizeable companies. We will continue to spend our marketing efforts to explore business opportunities with sizeable companies in the technology, internet and other industries with rapid growth in the PRC and strong marketing needs. Leveraging on the success of our mobile advertising solutions in achieving different marketing goals of customers, we have successfully expanded our customer base for our mobile advertising solutions services during the Track Record Period. 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 for each financial year during the Track Record Period” in this document 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 five months ended 31 May 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. These media publishers are the 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 31 May 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.

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Our 5 largest suppliers aggregately accounted for approximately 92.5%, 93.9%, 70.5% and 87.8% of our cost of services for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 2023, respectively, and cost of services from our largest supplier accounted for approximately 33.8%, 32.7%, 19.4% and 31.4% of our cost of services for the same years, respectively. During the Track Record Period, we rely on the few media partners for acquisition of advertising space. For further details, 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 during the Track Record Period for 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 [REDACTED] — [REDACTED]” in this document. During the Track Record Period and up to the Latest Practicable Date, 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 document. During the Track Record Period and up to the Latest Practicable Date, we are not aware of any material dispute or disagreement between our Group and our 5 largest suppliers.

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The following tables set out the background information of the 5 largest suppliers for each financial year 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	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	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 (monthly active users) 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\$3.0 trillion as at 31 May 2023.	2016	60 days from the month end after placement of ads	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\$1.6 trillion as at 31 May 2023.	2015	Prepayment or without fixed credit period	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	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	6,406	2.1
							Sub-total	278,546	92.5
							All other suppliers	22,264	7.5
							Total	300,810	100.0

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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	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	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 (monthly active users) 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\$3.0 trillion as at 31 May 2023.	2016	60 days from the month end after placement of ads	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	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\$1.6 trillion as at 31 May 2023.	2015	Prepayment or without fixed credit period	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 platforms in the PRC. Its app had an average MAUs (monthly active users) 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\$189.2 billion as at 31 May 2023.	2021	Prepayment	13,003	3.5	
								Sub-total	353,242	93.9
								All other suppliers	23,247	6.1
								Total	376,489	100.0

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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	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	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	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 (monthly active users) 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\$3.0 trillion as at 31 May 2023.	2016	60 days from the month end after placement of ads	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 platforms in the PRC. Its app had an average MAUs (monthly active users) 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\$189.2 billion as at 31 May 2023.	2021	Prepayment	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\$1.6 trillion as at 31 May 2023.	2015	Prepayment or without fixed credit period	38,559	9.9	
								Sub-total	274,949	70.5
								All other suppliers	114,568	29.5
								Total	389,517	100.0

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For the five months ended 31 May 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	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	67,989	31.4
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\$1.6 trillion as at 31 May 2023.	2015	Prepayment or without fixed credit period	42,372	19.5
3.	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	28,498	13.1
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 platforms in the PRC. Its app had an average MAUs (monthly active users) 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\$189.2 billion as at 31 May 2023.	2021	Prepayment	28,221	13.0
5.	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	23,305	10.8
							Sub-total	190,385	87.8
							All other suppliers	26,385	12.2
							Total	<u>216,770</u>	<u>100.0</u>

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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 five months ended 31 May 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 for further details.
6. Supplier F and Customer K are group companies for the years ended 31 December 2021, 2022 and the five months ended 31 May 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 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 for each financial year 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.

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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 mix 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 five months ended 31 May 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers are generally leading technology companies or sizeable companies in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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%, 83.2% and 64.4% 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 are 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

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- **Our established business relationship with sizeable customers:** We have accumulated extensive experience in provision of mobile advertising services and understanding marketing needs of customers from different industries. Leveraging on the success of our mobile advertising services, we have established customer base 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 sizeable and leading companies in their respective industries. We believe that these customers generally have better advertising budgets and 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 five months ended 31 May 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 1.7% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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.

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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 aggregately accounted for approximately 92.5%, 93.9% and 70.5% of our total cost of services, respectively. Three out of 5 largest suppliers of our Group, 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 five months ended 31 May 2023, (i) Alibaba Group accounted for approximately 21.9%, 15.1%, 9.9% and 19.5% of our cost of services, respectively; and (ii) Supplier C accounted for approximately 33.8%, 32.7%, 19.4% and 31.4%, of our cost of services, respectively, and they aggregately accounted for approximately 55.7%, 47.8%, 29.3% and 50.9% of our total cost of services for the years ended 31 December 2020, 2021 and 2022 and the five months ended 31 May 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 sizeable 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 expand 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.

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See “Risk factors — Risks relating to our business and industry — We rely on our 5 largest suppliers, particularly Alibaba Group and Supplier C, to acquire advertising space for placement of mobile ads during the Track Record Period” in this document 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 diversified 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 margin attributable to our 5 largest suppliers which also being our 5 largest customers 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, 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%.

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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, 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, 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 five months ended 31 May 2023, our aggregate traffic acquisition costs attributable to Supplier C, being 1 of our 5 largest suppliers, and Supplier F amounted to approximately RMB68.2 million, of which Supplier C accounted for approximately RMB68.0 million. For the same period, the revenue generated from mobile advertising solutions services attributable to Supplier C and Supplier F was approximately RMB54.4 million, representing approximately 20.9% of our total revenue.

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 31 May 2023, we have a sales and marketing team comprising 11 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

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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 five months ended 31 May 2023, our selling and marketing expenses amounted to approximately RMB3.0 million, RMB3.9 million, RMB4.2 million and RMB1.4 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

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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 relative new and subject to changes and uncertain interpretation” and “Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection” in this document.

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 [REDACTED] 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

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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 [REDACTED] 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 the data security which can minimise the risk of the data being leaked to overseas entities; and (iii) as of 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 document. 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 [REDACTED]. See “Risk factors — Our business is subject to complex and evolving laws and regulations, which may be relatively new and subject to changes and uncertain interpretation” in this document. 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 document.

CYBERSECURITY

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

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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 [REDACTED] 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 does not possess any mobile users’ personal information; and (iii) 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 and subject to changes and uncertain interpretation” in this document. 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 document.

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

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“Regulatory overview — Laws and regulations relating to advertising business — Internet advertising” in this document. As the Administrative Measures for Online Advertising were adopted and became effective, we intend to establish 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 plan to 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 plans and [REDACTED] — [REDACTED]” in this document. Furthermore, we shall establish, improve and implement our systems for the receipt and registration, moderation, file management in respect of our online advertising business; thus, it may 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 document.

Our Directors expects that we may increase our operating costs and/or administrative expenses; however, such costs and expenses will not be 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.

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.

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As at 31 May 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 five months ended 31 May 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 RMB2.8 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.

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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 a diversified customer base which encompass 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.

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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 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 recent 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 RMB492.6 million for the year ended 31 December 2022.

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 scale of online advertising industry in China is expected to grow at a CAGR of 8.9% from 2023 to 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”, “Risk factors — Risks relating to doing business in the PRC — The PRC’s economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business” and “Financial information — Recent development” in this document.

COMPETITION

According to the iResearch Report, the advertising service providers in the mobile advertising industry 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.

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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 personal 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 document.

See “Competitive strengths” in this section and “Industry overview” in this document for further details.

AWARDS AND RECOGNITIONS

We have received certain awards and recognitions from various organisations since our establishment in recognition of our success 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)
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)

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Year	Award/Accreditation	Awarding institution
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 [REDACTED].

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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 [REDACTED], 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 [REDACTED] to assist our Board to oversee ESG governance. Our Group will comply with the ESG reporting requirements upon [REDACTED] pursuant to Rule 13.91 of the Listing Rules, and disclose qualitative and quantitative information and data pursuant to Guidance Letter HKEX-GL86-16 and Appendix 27 in its ESG report.

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 [REDACTED] reporting requirements.

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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

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- (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;

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- 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.

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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 five months ended 31 May 2023, we generated approximately 62.22, 82.79, 60.41 and 28.33 tonnes of carbon dioxide equivalent (“tCO₂e”) 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			For the
		2020	2021	2022	five months ended 31 May 2023
GHG Emissions ^(Note 1)					
Scope 1 ^(Note 2)	tCO ₂ e	7.16	7.16	7.16	2.39
Scope 2 ^(Note 3)	tCO ₂ e	40.20	61.44	49.72	20.13
Scope 3 ^(Note 4)	tCO ₂ e	14.86	14.19	3.52	5.81
Total GHG emissions	tCO ₂ e	62.22	82.79	60.41	28.33
Intensity	tCO ₂ e per employee	0.59	0.68	0.50	0.24
Energy Consumption					
Gasoline for mobile combustion ^(Note 5)	MWh	54.64	54.64	54.64	18.21
Purchased electricity	MWh	41.99	63.75	81.50	33.00
Total energy consumption	MWh	96.62	118.38	136.14	51.21
Intensity	MWh per employee	0.91	0.97	1.13	0.44

Notes:

- 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.
- 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.
- 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.
- The conversion factors from volumetric units of petrol consumption to energy units are in reference to CDP Technical note: Conversion of fuel to MWh.

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Apart from GHG emissions and energy consumption, the air emission data are summarised in the table below.

	Unit	For the year ended			For the
		2020	2021	2022	five months ended
		31 December			31 May
		2020	2021	2022	2023
Air Emissions ^(Note 1)					
Nitrogen oxides (NO _x)	kg	2.24	2.24	2.24	0.75
Sulphur oxides (SO _x)	kg	0.04	0.04	0.04	0.01
Particulate Matter (PM)	kg	0.17	0.17	0.17	0.06

Note:

- 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 Guidance Letter HKEX-GL86-16 and Appendix 27 in its ESG report. 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; (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. 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.

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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.

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.

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 48.7% 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 document.

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 had not been subject to any material fines or administrative penalties due to non-compliance with or any violation of health, work safety, social or environmental laws and regulations in the PRC that would have materially and adversely affected our financial and business operation and the [REDACTED].

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In accordance with the Corporate Governance Code and ESG Reporting Guide set forth in Appendices 14 and 27 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 [REDACTED].

EMPLOYEES

As at 31 December 2020, 2021 and 31 December 2022 and 31 May 2023, we had a total of 106, 122, 113 and 111 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	27	23.5
Sales and marketing	13	11.3
Media platform management	6	5.2
Business and platform operation	40	34.8
Technology support and development	10	8.7
Management, administration, finance and legal	19	16.5
Total	115	100.0

Our success 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 [REDACTED] 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.

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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 five months ended 31 May 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 complaint 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

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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 [REDACTED].

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 social insurance and house provident funds for certain subsidiaries of our Group as required by the PRC laws and regulations” in this document.

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. For more details on our material intellectual property, see “B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this document.

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.

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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 2023– 31 December 2023
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 2023– 31 December 2023
Room 2155, 2/F, 3-B-2 Kaiyuan Road, Khorgos Economic Development Zone Corps Division, Ili Kazakh Autonomous Prefecture, Xinjiang, PRC	Office	22 July 2023– 31 December 2023
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
Unit 703–705, Block 17, Xingong 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:

- Such leased properties are categorised as our Group’s exempted connected transactions with a connected person on agreed terms. For more details, see “Connected transactions” of this document.

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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 document 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 document. 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 document 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 31 May 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

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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 are not involved in any actual or threatened material claims or litigation.

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 are 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

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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
							<i>RMB'million</i>	<i>RMB'million</i>
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.

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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. 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 RMB'million	2021 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 five months ended 31 May 2023, our average trade receivable turnover days were approximately 71 days, 83 days, 75 days and 62 days, respectively, and our average trade payable turnover days were approximately 17 days, 20 days, 23 days and 16 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 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.

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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, Company B and other lenders and borrowers.

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 [REDACTED] of our Shares from the Stock Exchange. For details, see “Financial information — Indebtedness — Bank and other loans” in this document. 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. The interest rates of our borrowings from the 3 non-financial institutions were generally higher than that of our lending to the 3 corporates because our borrowings were generally of a longer term. 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 five months ended 31 May 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 compliance review. 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 is fully rectified in May

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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 Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and five months ended 31 May 2023, our revenue generated from Company B amounted to approximately RMB0.2 million, RMB8.7 million, RMB2.3 million and nil, respectively. 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 document.

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.

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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, [REDACTED] from the [REDACTED], bank borrowings, factoring arrangement and/or other equity or debt financing. During the Track Record Period, such sources of financing (other than the [REDACTED] from the [REDACTED] 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.

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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 document. 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 document. 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 31 May 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 document.

Credit risk management

Our credit risk is primarily attributable to trade receivables. In addition 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

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- 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 document.

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 31 May 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. For more details, see “Regulatory overview — Laws and regulations relating to advertising business — Advertising” in this document.

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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. For more details, see “Directors and senior management” of this document.
- (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 [REDACTED].

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- (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 [REDACTED]. 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.