You should read the following discussion in conjunction with the consolidated financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this document and the selected historical financial information and operating data included elsewhere in this document. The consolidated financial statements have been prepared in accordance with IFRS.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking statements" and "Risk factors" in this document.

OVERVIEW

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

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, we experienced continuous growth and recorded revenue of approximately RMB377.7 million, RMB470.2 million, RMB492.6 million, RMB350.7 million and RMB497.3 million, respectively, net profit of approximately RMB49.8 million, RMB57.5 million, RMB68.3 million, RMB40.0 million and RMB48.9 million, respectively, and total gross billing of approximately RMB629.3 million, RMB791.1 million, RMB831.8 million, RMB578.6 million and RMB751.4 million, respectively.

BASIS OF PRESENTATION

During the Track Record Period, our business was conducted through Beijing Lesimedia and its subsidiaries. To rationalise the corporate structure in preparation of the [REDACTED], our Group underwent the Reorganisation. See "History and development — Reorganisation" in this document. Our Company became the holding company of the companies now comprising our Group on 21 July 2022.

Our Company is an investment holding company. Prior to and after the Reorganisation, the principal business of our Group has been operated by Beijing Lesimedia and its subsidiaries and there were no changes in the economic substance in the ownership and business of our Group. The Reorganisation involved inserting some newly formed entities with no substantive operations as the new holding company of Beijing Lesimedia. Accordingly, the historical financial information of our Group has been prepared and presented as a continuation of the financial statements of Beijing Lesimedia and its subsidiaries. See Note 1 of the Accountants' Report in Appendix I to this document.

The historical financial information of our Group has been prepared in accordance with all applicable IFRS which includes all applicable individual IFRS. See Note 2 of the Accountants' Report set out in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or expected to be, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain key factors is set out below.

Our business focuses on the mobile advertising market

During the Track Record Period, we primarily derived our revenue from provision of mobile advertising services. According to the iResearch Report, the market size of mobile advertising industry in the PRC, as measured by total advertising gross billing, increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022 with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. With the popularity of mobile devices and user migration pattern across media platforms, the share of mobile advertising as a proportion of online advertising gradually increased. Mobile advertising industry accounted for approximately 88.9% of the online advertising industry in the PRC in 2022 and it is expected to reach approximately 87.8% in 2027. As we heavily rely on the mobile advertising market to generate our revenue, in the event that the growth of the mobile advertising market slows down or shrinks, our operations and/or financial performance might be adversely affected.

Our ability to expand paying consumers base for our customers and enhance monetisation efficiency

We generate revenue primarily from the provision of mobile advertising services for our customers for marketing of their products or services on media platforms operated by our media partners. As such, the number of paying consumers for our customers is crucial to our brand and reputation, which in turn will affect our results of operations and future prospects. We provide customised and purpose-oriented mobile advertising services for our customers to effectively attract, retain and convert potential paying consumers.

In addition, a large and expanding paying consumers base provides us with data for better understanding of their needs and preferences, and helps us provide effective mobile advertising solutions to our customers to identify their target consumers. We are, therefore, able to further refine our service offerings to improve our customers' overall experience, which is pivotal to our business growth.

Growth of our customers base and their spending

Our results of operations are affected by the growth and diversity of our customers base and the spending of each of our customers. As we provide mobile advertising services to customers, the growth of our revenue depends largely on our ability to continue to expand our customers base, and to attract them to allocate more advertising budgets with us. Our customers encompass a wide array of industries. During the Track Record Period, we served customers with different scale and advertising needs. The number of customers for the years ended 31 December 2020 and 2021 remained relatively stable being 238 and 241, respectively. The number of customers increased to 295 for the year ended 31 December 2022, and such increase was mainly attributable to the increase in number of customers for our mobile advertising solutions services arising from continual effort and commercial decision of our management to expand our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was a decrease in the number of customers from 174 to 150 mainly due to the focus of our resources to serve customers with greater advertising needs in general, such as Customer M. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the average revenue generated from mobile advertising solutions services per customer were approximately RMB9.8 million, RMB8.3 million, RMB2.5 million, RMB2.0 million and RMB4.5 million, respectively. For the years ended 31 December 2020, 2021 and 2022, we recorded continuous decrease in the average revenue generated from mobile advertising solutions services per customer, which was mainly attributable to the continuous expansion of our mobile advertising solutions services and the enlarged customer base of our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was an increase in the average revenue generated from mobile advertising solutions services per customer, which was mainly attributable to our effort to explore business opportunities with customers with greater advertising needs, such as Customer M which had a strong marketing demand for promotion of its business. For the years ended 31 December 2020 and 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the average gross billing from advertisement distribution services per customer were approximately RMB1.4 million, RMB1.9 million, RMB3.3 million, RMB25.3 million and RMB6.2 million, respectively. The increase in the average gross billing during the years ended 31 December 2020, 2021 and 2022 was mainly attributable to the decrease in the number of customers for our advertisement distribution services and our effort to serve customers for our advertisement distribution services with greater advertising needs. For the nine months ended 30 September 2023, the average gross billing from advertisement distribution services per customer decreased to approximately RMB6.2 million from approximately RMB25.3 million for the nine months ended 30 September 2022. Such decrease was mainly attributable to the migration of 88 customers from the advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

Our ability to increase the spending of our customers depends on various key factors, including (i) our insights into the latest market trends and customers' evolving needs and requirements; (ii) our content production capability to produce customised and purpose-oriented advertisements that attract and accumulate more audiences; and (iii) our continuous technological innovation to provide more precise advertising services.

In the event that any regulations imposed on industries which our customers are involved, our operations and/or financial performance might be adversely affected.

Retain, deepen and expand the relationship with our existing and new media partners

We acquire advertising space directly from our media publishers or indirectly from our media agents for placement of mobile ads on media platforms designated by us. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we are a distributor of 3, 5, 5 and 6 media publishers, respectively. Our media publishers generally operate several media platforms with different contents to attract mobile users with diverse habits and preferences. As at 30 September 2023, as distributor of 6 media publishers, we can distribute mobile ads on more than 30 media platforms operated by them. If any of our media partners, particularly our media publishers, cease their relationship with us, the amount of advertising space we have access to may decrease and we may not be able to provide the same volume of advertisement distribution services to our customers.

In addition, we seek to manage the user traffic acquisition costs that we pay to media partners so as to increase our profit margin. There are rebates from media partners from time to time. The rebates from media partners are primarily determined mainly based on the gross spending of our total traffic acquisition costs. We may also receive rebates from media partners which are determined by our media partners on a discretionary basis based on their commercial considerations. The rebates were settled either (i) by deduction of our account payables to them for the acquisition of advertising space purchased and as our prepayments or (ii) by cash. Our receipts of rebates can affect our gross profit margin. For mobile advertising solutions services customers, such rebates set off part of our traffic acquisition costs, thereby reduce our cost of services. For advertisement distribution services customers, such rebates are recognised as our revenue and would result in an increase in our revenue. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the rebates from media partners amounted to approximately RMB92.0 million, RMB132.5 million, RMB99.8 million and RMB111.8 million, respectively. See Notes 2(o) and 3(b)(i) of the Accountants' Report set out in Appendix I to this document. However, any significant fluctuations in rebates from media partners may have a significant impact on our revenue and results of operations.

Ability to control our costs and expenses

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, traffic acquisition costs represented the largest component of our total cost of services, which accounted for approximately 97.0%, 96.7%, 96.9% and 97.6%, respectively, of our cost of services for the corresponding year/period. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in advertising traffic acquisition costs on our profit before income tax for the years/period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	2021	2022	2023
	Change in profit before income tax	Change in profit before income tax	Change in profit before income tax	Change in profit before income tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
+10%	(29,171)	(36,395)	(37,740)	(41,004)
+5%	(14,586)	(18,198)	(18,870)	(20,502)
-5%	14,586	18,198	18,870	20,502
-10%	29,171	36,395	37,740	41,004

We expect that the traffic acquisition costs will continue to be our most significant costs of service going forward, particularly in light of the continued expansion of our mobile advertising services. Our ability to control such costs and expenses may significantly affect our profitability.

Preferential tax treatments

Our income tax expenses were affected by the preferential tax treatments enjoyed by certain of our subsidiaries. In particular, Beijing Lesimedia is recognised as a high-tech enterprise and as a result, it is entitled to a preferential tax rate of 15% from December 2020 to October 2026. Pursuant to the rules and regulations of Khorgos, (i) Khorgos Lechuang and Khorgos Lemon are entitled to a tax-free period from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang is also entitled to a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia are entitled to a preferential income tax rate of 20% from 1 January 2022 to 31 December 2024. In addition, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From 1 October 2022, according to the Announcement of the MOF, the State Taxation Administration and the Ministry of Science and Technology on Increasing Support for Pre-tax Deductions for Scientific and Technological Innovation (Announcement no. 28 [2022])* (財政部、稅務總局、科技部關於加大支持科技創新稅前扣除力度公告[2022]第28號), such deductible rate increased from 75% to 100%. The deductible rate of 100% becomes a long term applicable rate pursuant to the Announcement of the MOF and the State Administration of Taxation on Further Improving the Pre-tax Deduction Policy for R&D Expenses (Announcement no. 7 [2023])* (財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策公告[2023]第7號) issued in 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial position and results of operations are based on the consolidated financial statements prepared in accordance with the material accounting policies in the Accountants' Report set out in Appendix I to this document. Preparation of our individual and consolidated financial information requires us to make estimates and judgements in applying certain critical accounting policies which may have a significant impact on our consolidated results. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. The following discussion provides supplemental information on our critical accounting policies, certain of which require estimates and assumptions from our management.

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) material accounting policies; and (ii) critical accounting judgments and key sources of estimation uncertainty. For details of our material accounting policies, estimates, assumption and judgments, see Notes 2 and 3 of the Accountants' Report in Appendix I to this document.

Revenue recognition

We generate revenue primarily from provision of mobile advertising solutions services. The method of our revenue recognition is affected by our role under each contract with customers. For contracts where our Group acts as a principal, we recognise revenue on a gross basis. For contracts where our Group acts as an agent, we recognise revenue on a net basis.

In our provision of mobile advertising solution services, we act as a principal and are the primary obligor responsible for fulfilling the contracts and we have the power to control the process of content generation that meet our customers' needs. We have control in the specified service before the service is delivered to our customers. We recognise revenue when we satisfy our performance obligation by transferring the services to our customers and act as the principal of these arrangements. We recognise our revenue earned and costs incurred in relation to these transactions on a gross basis.

In our provision of advertisement distribution services, we provide traffic acquisition services to our customers for publication of advertisements on targeted media platforms as determined by our customers. We do not have control in the specified service before the service is delivered to our customers. Thus, we act as an agent and report the amount received from our customers and amount paid to our media partners in relation to these transactions on a net basis.

(i) Mobile advertising solutions services (Gross basis)

We provide mobile advertising solutions services to our customers for promoting their brands, products and/or services on media platforms operated by our media partners. Our services include mobile marketing planning, production of ad creatives, traffic acquisition, ad placements, ad optimisation, ad campaign management and ad distribution. We charge our customers primarily based on a mix of CPC, CPM, CPD, CPA and/or CPT basis.

Under mobile advertising solutions services, our Group is the primary obligor responsible for fulfilling the contracts, and has the power to control the process of content generation that meet the customers' need. Revenue is determined based on the gross amount of sales excluding value added tax or other sales taxes, and after deduction of any trade discounts and rebates to our customers.

(ii) Advertisement distribution services (Net basis)

We also provide advertisement distribution services by acquiring advertising space and placing mobile ads on media platforms for our customers. We charge our customers primarily based on a mix of CPC, CPM, CPD, CPA and/or CPT basis.

Rebates from media partners

We record rebates from media partners as reduction of cost of services under gross basis (where we act as principal), or as revenue under net basis (where we act as agent). The rebates earned by our Group from media partners come with a variety of structures and rates, which are primarily determined based on the contract terms with these media partners, their applicable rebate policies, the business performances of our Group and the discretionary incentive programmes as set up by the media partners.

Our Group accrues rebates from media partners based on evaluation as to whether the contractually stipulated thresholds of advertising spending are likely to being reached, or other benchmarks or certain prescribed classification are likely to being qualified. This determination requires significant judgement and estimation. In making this judgement and estimation, our Group evaluates based on the past experience and regular monitoring of various performance factors set within the rebate policies. The actual rebates may be higher or lower than estimated at the end of reporting period, which would affect the revenue or cost of sales recognised in future years as an adjustment to the amounts recorded to date.

As advised by our PRC Legal Adviser, our receipts of rebates from media partners and the offers of rebates from media partners do not violate any applicable PRC laws and regulations in all material aspects provided that the offers are expressly agreed between the media partners or their distributors and our Group, the receipts and the offers are truthfully recorded in the books of our Group and media partners respectively and the relevant invoices are legally issued. According to the iResearch Report, the offers of rebates from media partners or their distributors to our Group are consistent with the market practice. As further advised by our PRC Legal Adviser, our offers of rebates to our customers are in compliance with and do not violate any applicable PRC laws and regulations in all material aspects provided that the offers are expressly agreed between our Group and our customers, our payments of rebates are truthfully recorded in our books and the relevant invoices are legally issued. According to the iResearch Report, our offers of rebates to our customers are consistent with the market practice.

When providing mobile advertising solutions services, the rebates we receive from the media partners are based on a pre-determined percentage of customers' actual advertising spending on media platforms of relevant media partners through us, and our media partners may also grant rebates to us on a discretionary basis based on their commercial considerations, which will be used to set off part of our traffic acquisition costs or recognised as our revenue. The rates of rebates are set by the media partners annually depending on the actual advertising spending on the acquisition of advertising space on media platforms and/or degree of fulfilment of certain KPIs set by the media partners, the sales and marketing strategies of the media partners in incentivising, attracting and retaining customer accounts.

During the Track Record Period, the rebates from our media partners were settled either (i) by deduction of our account payables to them for the acquisition of advertising space purchased and as our prepayments or (ii) by cash. We may offer rebates to customers as part of our incentive activities in some circumstances at our own discretion.

When providing advertisement distribution services, media partners may also grant us rebates which are recorded as revenue in our consolidated statements of comprehensive income.

We may offer incentive rebates to our customers, the rebates we offered to our customers are recognised as deduction of revenue in our consolidated statements of comprehensive income for the respective period when the related promised services were transferred to the customers under both the mobile advertising solutions services and advertisement distribution services.

See "Business — Pricing models — Rebates" in this document.

Basis of provision/write-off for trade receivables

Credit loss from financial instruments and contract assets

We recognise a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that we expect to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which our Group is exposed to credit risk.

In measuring ECLs, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, we recognise a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, we compare the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, we consider that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to our Group in full, without recourse by us to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. We consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to us.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Our Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(o)(iii) in the Accountants' Report set out in Appendix I to this document is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, we assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when our Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the gross carrying amounts of the trade receivables were approximately RMB177.9 million, RMB188.0 million, RMB160.9 million and RMB174.7 million, respectively, for which loss allowances for the trade receivables were approximately RMB1.8 million, RMB5.0 million, RMB3.0 million and RMB6.3 million, respectively.

RESULTS OF OPERATION

The following table presents a summary of the consolidated results of our Group for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this document:

	For the year ended 31 December			**For the nine months ended 30 September**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	377,667	470,180	492,570	350,671	497,261
Cost of services	(300,810)	(376,489)	(389,517)	(285,409)	(420,234)
Gross profit	76,857	93,691	103,053	65,262	77,027
Other net income	4,567	4,660	4,978	3,135	1,292
Selling and marketing expenses	(2,951)	(3,863)	(4,244)	(3,043)	(2,481)
General and administrative expenses	(22,059)	(23,910)	(26,054)	(18,137)	(17,854)
Impairment losses on trade and other receivables	(1,722)	(7,677)	(5,129)	(4,645)	(6,134)
Profit from operations	54,692	62,901	72,604	42,572	51,850
Finance costs	(3,018)	(3,232)	(1,591)	(1,211)	(1,375)
Profit before income tax	51,674	59,669	71,013	41,361	50,475
Income tax	(1,901)	(2,181)	(2,706)	(1,365)	(1,564)
Profit for the year/period	49,773	57,488	68,307	39,996	48,911
— Equity shareholders of the Company	49,773	57,488	67,290	39,889	48,419
— Non-controlling interests	—	—	1,017	107	492

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated our revenue primarily from the provision of mobile advertising services, especially from mobile advertising solutions services to direct advertisers and advertising agents on behalf of their advertisers. Our customers primarily include direct advertisers and advertising agents. See "Business — Our business — Business model" in this document.

We normally enter into annual framework agreements with our customers and charge them based primarily on a mix of CPC, CPM, CPD CPA and/or CPT basis. The proportion of our revenue generated from mobile advertising solutions services grew for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, benefiting from the increasing demand for our mobile advertising solutions services from our customers.

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

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

Benefiting from the increasing demand for our mobile advertising solutions services from our customers, our revenue generated from mobile advertising solutions services accounted for an increasing proportion and contributed to a substantial portion of our total revenue during the Track Record Period. In addition, we acted as principal and had control in the specified service, revenue generated therefrom is recorded on a gross basis during the Track Record Period. In addition, we also provide advertisement distribution services by acquiring advertising space for placement of mobile ads on media platforms for direct advertisers or advertising agents, where we act as an intermediary rather than as a principal, and our revenue generated therefrom is recorded on a net basis. Under this arrangement, the rebates from the media partners (calculated primarily based on the gross spending of our total traffic acquisition costs) and discretionary rebates from media partners, are recognised as reduction of cost of services for mobile advertising solutions services and as revenue for advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, (i) the rebates from media partners which were recognised as reduction of cost of services for mobile advertising solutions services amounted to approximately RMB55.0 million, RMB71.3 million, RMB48.6 million, RMB66.8 million and RMB89.7 million, respectively; and (ii) the rebates from media partners which were recognised as revenue for advertisement distribution services amounted to approximately RMB37.0 million, RMB61.2 million, RMB51.2 million, RMB4.9 million and RMB22.1 million, respectively. For the year ended 31 December 2021, the increase in rebates from media partners for our mobile advertising solutions services and our advertisement distribution services was mainly attributable to the increase in purchase of advertising space and the rebates from a new media partner, namely Supplier H, offering more favourable rebate policies. For the year ended 31 December 2022, the decrease in rebates from media partners for our mobile advertising solutions services and our advertisement distribution services was mainly attributable to (i) the increase in our purchase of advertising space from media agents which generally offer less rebates but more favourable payment terms, such as Supplier J which did not require our prepayments and offered us credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms. For the nine months ended 30 September 2022 and 2023, the rebates from media partners which were recognised as reduction of cost of services for mobile advertising solutions services increased due to increase in rebates settled by cash, which is consistent with the increase in cost of services. See "Critical accounting policies and estimates" in this section and Note 3 of the Accountants' Report set out in Appendix I to this document for more details regarding our revenue recognition policies.

Our revenue was mainly generated from mobile advertising solutions services and the same experienced continuous growth and increased from approximately RMB343.4 million for the year ended 31 December 2020 to approximately RMB433.3 million for the year ended 31 December 2021, and further to approximately RMB454.2 million for the year ended 31 December 2022. The proportion of revenue generated from mobile advertising solutions services continued to increase from approximately 90.9% to 92.1% and further to 92.2% of the total revenue of our Group, for the corresponding year, respectively, under the continual management effort to expand the mobile advertising solutions services. Our revenue generated from mobile advertising solutions services increased from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023, representing approximately 92.9% and 96.0% of total revenue of our Group, respectively, for the same reason. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services and the strong marketing demand from a new customer, namely Customer M.

The following table sets forth our revenue generated from our mobile advertising services by type of customers for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Direct advertisers	304,778	80.7	338,760	72.0	370,518	75.2	257,392	73.4	395,823	79.6
Advertising agents	72,889	19.3	131,420	28.0	122,052	24.8	93,279	26.6	101,438	20.4
Total	377,667	100.0	470,180	100.0	492,570	100.0	350,671	100.0	497,261	100.0

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

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	No. of customers	*No. of customers*	*No. of customers*	*No. of customers*	*No. of customers*
Direct advertisers	135	156	197	129	115
Advertising agents	103	85	98	45	35
Total	**238**	**241**	**295**	**174**	**150**

For the years ended 31 December 2020, 2021 and 2022, there has been continual increase in the number of direct advertisers, which was mainly attributable to the increase in number of customers for our mobile advertising solutions services as we expanded our mobile advertising solutions services. For the nine months ended 30 September 2022 and 2023, there was a decrease in the number of direct advertisers and advertising agents, which was mainly attributable to the focus of our resources to serve customers with greater advertising needs in general, such as Customer M.

During the Track Record Period, our management decided to deepen the business relationship with direct advertisers with a view to attract more advertising budgets from direct advertisers and scale down our efforts in reaching out to advertising agents with comparatively low advertising budgets to reduce our management cost to enhance our operation efficiency and profitability. Thus, there was a decrease in the number of advertising agents for the year ended 31 December 2021. For the years ended 31 December 2020, 2021 and 2022, our revenue from advertising agents amounted to approximately RMB72.9 million, RMB131.4 million and RMB122.1 million, respectively. The increase in revenue from the year ended 31 December 2020 to the year ended 31 December 2021 from advertising agents was attributable to our effort on serving advertising agents with greater advertising needs. Such revenue remained relatively stable for the year ended 31 December 2022. For the nine months ended 30 September 2022 and 2023, our revenue from advertising agents amounted to approximately RMB93.3 million and RMB101.4 million, respectively, and remained relatively stable.

Our customers operate in a wide array of industry verticals, of which more than 50% of our revenue were generated from customers from the technology and internet services industry, which include some of our largest customers in each year/period during the Track Record Period, namely Customer A, Customer B, Customer D, Customer H and Customer M, with the remaining spread across different industries, such as gaming, financial services and e-commerce industries. During the Track Record Period, our Group served customers with different scale and advertising needs. We also continued to make marketing effort to explore new customers and diversify the industry verticals of our customer base to diversify our risks. The table below sets forth a breakdown of our revenue by industry verticals of our customers for the years/periods indicated:

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

Notes:

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

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

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

(4) Subject to rounding error, certain figures were marked as "0.0%".

The following table illustrates the reconciliation of our gross billing and our revenue recorded under advertisement distribution services on net basis for the years/periods indicated:

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

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

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

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

Cost of services

Our cost of services primarily include traffic acquisition costs, employee benefit expenses and video production costs. During the Track Record Period, traffic acquisition costs constituted the largest portion of our cost of services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our traffic acquisition costs amounted to approximately RMB291.7 million, RMB364.0 million, RMB377.4 million, RMB277.0 million and RMB410.0 million, respectively, accounting for approximately 97.0%, 96.7%, 96.9%, 97.0% and 97.6%, respectively, of our total cost of services for the corresponding years/periods.

The following table sets forth a breakdown of our cost of services by nature for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Traffic acquisition costs	291,712	97.0	363,951	96.7	377,395	96.9	276,953	97.0	410,043	97.6
Employee benefit expenses	6,342	2.1	9,417	2.5	8,826	2.3	6,183	2.2	6,507	1.5
Video production costs	2,053	0.7	2,305	0.6	2,569	0.6	1,702	0.6	2,862	0.7
Depreciation and amortisation expenses	703	0.2	816	0.2	727	0.2	571	0.2	822	0.2
Total	300,810	100.0	376,489	100.0	389,517	100.0	285,409	100.0	420,234	100.0

Traffic acquisition costs mainly represents costs of advertising space we purchase from our media partners. Our traffic acquisition costs may vary due to a number of factors, including, but not limited to, the media platforms, total volume of user traffic purchased, specific advertising spaces, time and duration of the ad campaigns, and the different pricing policies of media partners. Our traffic acquisition costs accounted for a substantial portion of our total cost of services during the Track Record Period, as we generally acquired advertising space from media partners to post the mobile ads for our customers.

The fluctuation in traffic acquisition costs are in line with the revenue generated from mobile advertising solutions services excluding ad optimisation services as standalone services which do not require our acquisition of advertising space. In relation to ad optimisation services as standalone services, we would not acquire advertising space and, thus, no traffic acquisition cost would be incurred. Given that our project enhancers are responsible for our provision of ad optimisation services, the cost on provision of ad optimisation services was included in our employee benefit expenses during the Track Record Period.

The rebates from media partners are primarily based on our gross spending of our total traffic acquisition costs, which partially set off our traffic acquisition costs. Such rebates under the gross method are recorded as reduction of cost of services, and if under the net method, are recorded as increase in revenue in our consolidated statements of comprehensive income. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, the aggregate amount of rebates recorded under the gross method and net method from media partners was approximately RMB92.0 million, RMB132.5 million, RMB99.8 million, RMB71.7 million and RMB111.8 million, being approximately 14.6%, 16.7%, 12.0%, 12.4% and 14.9% of our gross billing, respectively. The fluctuations in our rebates from media partners and their distributors for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 and 2023 was generally in line with the changes in gross billing; and the decrease in rebates from media partners and their distributors for the year ended 31 December 2022 was mainly attributable to (i) the increase in proportion in purchase of advertising space from media agents which generally offer less rebates, such as Supplier J which did not require our prepayments and offered us with credit terms of 28 days after our placement of mobile ads, and (ii) the decrease in rebates from Supplier H and Alibaba Group due to the decrease of our customers' demand for placement of mobile ads on these media platforms.

Traffic acquisition costs net of rebates of our Group was approximately RMB236.7 million, RMB292.7 million, RMB328.8 million, RMB210.2 million and RMB320.4 million for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively. Such increase was generally in line with the increase in revenue generated from mobile advertising solutions services.

Employee benefit expenses mainly consist of the wages, salaries, bonuses, social insurance, and housing benefits. The employee benefit expenses of our Group increased from approximately RMB6.3 million for the year ended 31 December 2020 to approximately RMB9.4 million for the year ended 31 December 2021, representing approximately 2.1% and 2.5% of our cost of services for the corresponding periods, mainly due to the increase in number of staff of our operations and content production team. The employee benefit expenses of our Group was approximately RMB9.4 million for the year ended 31 December 2021 and approximately RMB8.8 million for the year ended 31 December 2022, representing approximately 2.5%, 2.3%, of our cost of services for the corresponding years, and remained stable. For the nine months ended 30 September 2022 and 2023, the employee benefit expenses of our Group was approximately RMB6.2 million and RMB6.5 million, respectively, and increased slightly by approximately 5.2%, and remained relatively stable.

Gross profit and gross profit margin

Our gross profit consists of our revenue less cost of services. For the years ended 31 December 2020, 2021 and 2022, our gross profit increased continuously, being approximately RMB76.9 million, RMB93.7 million and RMB103.1 million, respectively. For the nine months ended 30 September 2022 and 2023, we recorded an increase in gross profit from approximately RMB65.3 million to RMB77.0 million. Such increases were mainly due to the increase in gross profit generated from provision of mobile advertising solutions services. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended 31 December 2020, 2021 and 2022, our gross profit margin remained relatively stable, being approximately 20.4%, 19.9% and 20.9%, respectively. Our gross profit margin decreased from approximately 18.6% for the nine months ended 30 September 2022 to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in our traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and (ii) the decrease in our revenue from advertisement distribution services.

The following table sets forth a breakdown of our gross profit and gross profit margin by type of our services for the years/periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Mobile advertising solutions services	42,628	12.4	56,761	13.1	64,639	14.2	40,333	12.4	57,072	12.0
Advertisement distribution services *(Note)*	34,229	100.0	36,930	100.0	38,414	100.0	24,929	100.0	19,955	100.0
Total	76,857	20.4	93,691	19.9	103,053	20.9	65,262	18.6	77,027	15.5

Note: When we provide only traffic acquisition services for our customers, we act as an intermediary, where our gross billing directly net off traffic acquisition costs, and we do not record cost of services separately.

For mobile advertising solutions services, our gross profit margin increased continuously for the years ended 31 December 2020, 2021 and 2022, which was mainly attributable to (i) the continual effort of our management to expand our mobile advertising solutions services and serve customers for our advertisement distribution services with greater advertising needs; and (ii) the provision of ad optimisation services to some of our customers under our mobile advertising solutions services, which commenced in the year ended 31 December 2020 and does not require our acquisition for advertising space, which accounted for a significant portion of our cost of services. See "Business — Ad Optimisation" in this document. Our gross profit margin for mobile advertising solutions services for the nine months ended 30 September 2022 and 2023 remained relatively stable.

Other net income

Other net income consisted of interest income, additional deductible VAT and others. Others generally include non-operating expenses.

The following table sets forth a breakdown of our other net income for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Interest income	379	210	146	118	126
Additional deductible VAT	4,313	4,753	3,794	2,276	1,712
Others *(Note)*	(125)	(303)	1,038	741	(546)
Total	4,567	4,660	4,978	3,135	1,292

Note: For the year ended 31 December 2022 and the nine months ended 30 September 2022, others primarily include recovery of bad debts, which were written off in prior years.

Pursuant to the Announcement of the MOF, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement no. 39 [2019])* (財政部、稅務總局、海關總署《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告[2019]第39號)), our Group's subsidiaries, as modern service companies, qualify for additional 10% deduction of input VAT from output VAT during the years ended 2020 and 2021. In accordance with the Announcement of the MOF and the State Taxation Administration regarding the VAT Policies for Promoting The Bailout and Development of Distressed Industries in the Service Sector (Announcement no. 11 [2022])* (財政部、稅務總局關於促進服務業領域困難行業紓困發展有關增值稅政策公告2022年第11號), the above policies are extended to 31 December 2022. According to the Announcement of the MOF and the State Taxation Administration on Clarifying Policies on Reduction and Exemption of VAT for Small-scale Value-Added Taxpayers (Announcement no. 1 [2023])* (財政部、稅務總局關於明確增值稅小規模納稅人減免增值稅等政策的公告2023年第1號), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023. The additional deduction is recognised as other income.

Our other net income remained relatively stable and amounted to approximately RMB4.6 million, RMB4.7 million and RMB5.0 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our other net income decreased significantly from approximately RMB3.1 million for the nine months ended 30 September 2022 to approximately RMB1.3 million for the nine months ended 30 September 2023 due to the decrease in additional deductible VAT.

Selling and marketing expenses

Selling and marketing expenses primarily consisted of employee benefit expenses, entertainment expenses and travelling expenses. Other expenses include office expenses, express delivery fees and depreciation.

The following table sets forth a breakdown of our selling and marketing expenses for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Employee benefit expenses	2,690	3,194	4,020	2,853	2,328
Entertainment expenses	132	438	124	103	39
Travelling expenses	88	119	23	10	64
Others	41	112	77	77	50
Total	2,951	3,863	4,244	3,043	2,481

Our selling and marketing expenses increased from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.9 million for the year ended 31 December 2021, representing an increase of approximately 30.9%, primarily due to the increase in number of sales and marketing staff and the increase in entertainment expenses, coupled with relatively low base of employee benefit expenses for the year ended 31 December 2020 where partial exemption to the contributions to social insurance by the PRC government from February to December 2020 due to COVID-19 pandemic was no longer available for the year ended 31 December 2021. Our selling and marketing expenses increased slightly by approximately 7.7% from approximately RMB3.9 million for the year ended 31 December 2021 to approximately RMB4.2 million for the year ended 31 December 2022, mainly due to increase in employee benefit expenses and remained relatively stable. For the year ended 31 December 2021, entertainment expenses increased significantly as compared to that for the year ended 31 December 2020 mainly due to the increase of our business and social activities as the control measures in response to the COVID-19 pandemic eased in 2021. For the year ended 31 December 2022, entertainment expenses decreased significantly as compared to that for the year ended 31 December 2021 mainly due to tightened internal policy on cost control management and the resurgence of COVID-19 outbreak in 2022. For the nine months ended 30 September 2022 and 2023, our selling and marketing expenses amounted to approximately RMB3.0 million and RMB2.5 million, respectively, and remained relatively stable.

General and administrative expenses

General and administrative expenses primarily consisted of research and development expenses, employee benefit expenses of senior management and administrative staff and professional fees. Our research and development expenses primarily comprise expenses incurred for engaging a third-party software development service provider for upgrading our in-house information technology system. Our general and administrative expenses amounted to approximately RMB22.1 million for the year ended 31 December 2020, primarily due to the engagement of professionals in connection with advice on the possibility to seek listing in the United States to gain access to capital in the United States and we decided not to proceed further subsequently after having considered the deterioration of the China-U.S. relationship. Such listing plan was preliminary and no listing application was made to any regulatory authority. Our general and administrative expenses increased by approximately 8.4% to approximately RMB23.9 million for the year ended 31 December 2021, primarily due to the increase in professional fees in connection with the [REDACTED], and increase in employee benefit expenses, as the one-off partial exemption to the contributions to social insurance by the PRC government in 2020 due to COVID-19 which is no longer available in 2021, being offset by the decrease in research and development expenses because our third-party software development service provider completed our outsourced project on system upgrade of our self-developed platform, which was aimed at satisfying our operational needs and in response to an upgrade of a media partner's system in the second quarter in 2021. Our general and administrative expenses increased by approximately 9.2% from approximately RMB23.9 million for the year ended 31 December 2021 to approximately RMB26.1 million for the year ended 31 December 2022, primarily attributable to increase in professional fees in connection with the [REDACTED], being offset by the decrease in employee benefit expenses. Our employee benefit expenses decreased by approximately 31.0% from approximately RMB4.2 million for the year ended 31 December 2021 to approximately RMB2.9 million for the year ended 31 December 2022 mainly due to the relocation of our video production base from Beijing to Changsha and the labour cost in Changsha is lower than that in Beijing. For the nine months ended 30 September 2022 and 2023, our general and administrative expenses amounted to approximately RMB18.1 million and RMB17.9 million, respectively, and remained relatively stable.

The following table sets forth a breakdown of our general and administrative expenses for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Employee benefit expenses	3,407	4,242	2,879	2,362	2,074
Research and development expenses	12,485	7,532	7,478	4,642	5,310
Professional fees	3,683	8,830	13,273	9,734	8,236
Depreciation	263	387	512	322	233
Property utilities expenses	808	655	368	283	259
Office expenses	406	593	430	142	256
Entertainment expenses	263	388	365	212	754
Rental expenses	205	163	297	151	360
Travelling expenses	311	412	237	176	327
Others*(Note)*	228	708	215	113	45
Total	22,059	23,910	26,054	18,137	17,854

Note: Others include service charges, conference room booking fee, courier charges, renovation expenses etc.

Impairment losses on trade and other receivables

Our Group's management regularly reviews the recoverability of our overdue balances and when appropriate, provides for impairment of these trade receivables. We may be exposed to the recoverability risks during our operation. During the Track Record Period, there were sufficient provision made for our trade and other receivables. Our impairment losses on trade and other receivables comprised provision for impairment losses on trade and other receivables. The following table sets forth a breakdown of which for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Provision for impairment losses					
— Trade receivables	1,319	5,594	1,948	2,600	3,303
— Other receivables	403	2,083	3,181	2,045	2,831
	1,722	7,677	5,129	4,645	6,134

For customers with regular payments, we generally assess the expected credit loss by referring to, among others, our Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions. The provision for impairment losses on trade and other receivables amounted to approximately RMB1.7 million for the year ended 31 December 2020 and was mainly attributable to increase in trade receivables balance. It increased to approximately RMB7.7 million for the year ended 31 December 2021 mainly due to the aged balance of trade and other receivables. For the year ended 31 December 2022, the provision for impairment losses decreased to approximately RMB5.1 million mainly due to the decrease in aged trade receivables. For the nine months ended 30 September 2022 and 2023, we recorded an increase in provision for impairment losses from approximately RMB4.6 million to approximately RMB6.1 million, respectively, which was mainly attributable to aged balance of trade and other receivables.

Finance costs

Our finance costs consist of (i) interest expense on bank loans, (ii) interest expense on unsecured key management personnel loans provided to our Group, (iii) interest expense on other unsecured borrowings, which includes borrowings from non-financial institutions, (iv) interest expense on factoring facilities, and (v) interest on lease liabilities. Our finance costs increased from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.2 million for the year ended 31 December 2021, and remained relatively stable. Our finance costs decreased from approximately RMB3.2 million for the year ended 31 December 2021 to approximately RMB1.6 million for the year ended 31 December 2022, primarily attributable to the decrease in bank borrowings. For the nine months ended 30 September 2022 and 2023, our finance costs amounted to approximately RMB1.2 million and RMB1.4 million, respectively, and remained relatively stable. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest expense on:					
— Bank loans	2,632	2,731	1,434	1,096	1,296
— Unsecured key management personnel loans	35	228	—	—	—
— Other unsecured borrowings	239	83	—	—	—
— Factoring facilities	50	54	—	—	—
Interest on lease liabilities	62	136	157	115	79
Total	3,018	3,232	1,591	1,211	1,375

Income tax

Our income tax expenses consist of current tax and deferred tax in the PRC. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our income tax expenses were approximately RMB1.9 million, RMB2.2 million, RMB2.7 million, RMB1.4 million and RMB1.6 million, respectively. We are subject to various rates of income tax under different provinces.

The following table sets forth the breakdown of our income tax expenses for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax	1,734	2,350	2,450	2,004	1,880
Deferred tax	167	(169)	256	(639)	(316)
Total	1,901	2,181	2,706	1,365	1,564

Our effective income tax rate was approximately 3.7%, 3.7%, 3.8% for the years ended 31 December 2020, 2021 and 2022, respectively, and remained relatively stable. For the nine months ended 30 September 2022 and 2023, our effective income tax rate was approximately 3.3% and 3.1%. The low effective income tax rate is primarily because some of our subsidiaries are entitled to tax-free period during the Track Record Period. See "Key components of our results of operations – PRC enterprise income tax" in this section. During the Track Record Period and up to the Latest Practicable Date, there were no matters in dispute or unresolved with the relevant tax authorities.

During the Track Record Period, we recorded a low effective income tax rate mainly due to the followings reasons:

(i) we have 2 subsidiaries established in Xinjiang in 2017 and 2020, namely (a) Khorgos Lechuang and (b) Khorgos Lemon, which are principally engaged in the provision of mobile advertising services, including ad planning, production of ad creatives and design, post-production and publication of mobiles ads and handle sales and marketing business. Both of Khorgos Lechuang and Khorgos Lemon were entitled to tax benefits during the Track Record Period. Khorgos Lechuang was entitled to a tax-free period in 2020 and 2021 and a preferential tax rate of 15% in 2022 and 2023. Khorgos Lemon was entitled to a tax-free period throughout the Track Record Period; and

(ii) our offices in Xinjiang and Beijing served as our sales centres; and

(iii) a significant amount of our profit before income tax was generated from our Xinjiang office and we enjoyed the aforesaid tax-free period. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (i) our Xinjiang office accounted for approximately 71.6%, 70.7%, 64.5% and 73.1% of our profit before income tax, respectively; (ii) our Beijing office accounted for approximately 28.6%, 33.1%, 39.9% and 32.5% of our profit before income tax, respectively.

During the Track Record Period, our Group has made addition provision in relation to additional tax on deduction of research and development ("**R&D**") expenses. Certain contractors for R&D services have not registered the R&D contracts with the competent department. Our R&D expenses may not be recognised as qualified R&D expenses for additional tax deduction under applicable rules and regulations of the PRC. However, reversal of provision could be made after successful registration of the R&D contracts. As at the Latest Practicable Date, (i) the filing and registration procedures of 2 R&D contracts have not been completed yet but the contractor has submitted all necessary application to the competent authority and (ii) 1 R&D contract cannot be submitted for filing and registration. The aggregate amount of claimed tax deduction in relation to these three R&D contracts was approximately RMB539,000. We may have underpaid our tax when we claimed for tax deduction on such R&D expenses. According to the Law of the PRC on the Administration of Tax Collection (Revised in 2015) (中國稅收徵收管理法(2015修正)) (the "**Administration Law on Tax Collection**"), (i) when a taxpayer fails to pay its tax within the prescribed time limit, the tax authority may impose a fine at the rate of 0.05% of the amount of tax in arrears on a daily basis; and (ii) when a tax payer underpays its tax that should be paid within a specified time and, after being ordered by the tax authority to pay within a specified time, still fails to pay the tax, is subject to a fine of not less than 50% but not more than five times the amount of tax the tax payer underpays. In this regard, our Group may be subject to a fine of approximately RMB0.3 million to RMB2.7 million up to 30 September 2023 in connection to the said

R&D expenses if the Group fails to pay the tax within the time limit required by the tax authority. Our PRC Legal Adviser conducted an interview with the deputy director of the branch office of the State Taxation Administration in Changping District, Beijing (being the tax bureau and the competent authority in charge of tax matters relating to the relevant PRC subsidiary of our Group) and informed the deputy director that certain R&D contracts had not been registered. As confirmed by such tax bureau, if our Group initiates a request to the tax bureau for payment of the tax deduction claimed on the R&D contracts that are not registered (including the related late payment), the tax bureau shall not impose any penalty on our Group. We have made a request to the tax bureau for payment of the tax deduction and the related late payment as we claimed tax deduction and such amount was not paid within a specified time, and such payments have been settled in October 2023. Given that we have made addition provision in relation to additional tax on deduction of R&D expenses, there would be no material financial impact on our Group if the registration of the 2 R&D contracts is rejected. If the registration of the 2 R&D contracts is successful, reversal of provision would be made and we would apply to the tax bureau for the refund of payment of tax deduction and/or late payment made in October 2023.

Our Company and our subsidiaries are corporations incorporated in different jurisdictions, with different taxation requirements illustrated below:

Cayman Islands and BVI

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and accordingly is not subject to Cayman Islands income tax. While pursuant to the rules and regulations of the BVI, our Group is not subject to any income tax in the BVI.

Hong Kong

No provision for Hong Kong profits tax has been made as our Group did not have any assessable income subject to Hong Kong profits tax during the Track Record Period.

PRC enterprise income tax

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. As advised by our PRC Legal Adviser, according to the EIT Law, the statutory income tax rate is 25% and members of our Group in the PRC are subject to PRC income tax at 25% unless otherwise specified and entities that qualified as high-tech enterprises enjoy a preferential tax rate of 15%. As Beijing Lesimedia is recognised as a high-tech enterprise, it enjoys the preferential tax rate from December 2020 to October 2026. Moreover, pursuant to the Notice on Preferential Enterprise Income Tax Policies for the Two Special Economic Development Zones in Khorgos, Kashgar, Xinjiang* (《關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得税優惠政策的通知》) and Implementation Opinions on Accelerating the Construction of Khorgos Economic Development Zone* (關於加快喀什霍爾果斯經濟開發區建設的實施意見), (i) Khorgos Lechuang and Khorgos Lemon are entitled to income-tax-free periods from 2017 to 2021 and 2020 to 2024, respectively; and (ii) Khorgos Lechuang also enjoys a preferential tax rate of 15% from 2022 to 2026. Moreover, Beijing Lexiao and Hunan Lesimedia are entitled to a preferential income tax rate of 20% from 1 January 2021 to 31 December 2022. In addition, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From 1 October 2022, according to the Announcement of the MOF, the State Taxation Administration and the Ministry of Science and Technology on Increasing Support for Pre-tax Deductions for Scientific and Technological Innovation (Announcement no. 28 [2022])* (財政部、稅務總局、科技部關於加大支持科技創新稅前扣除力度公告[2022]第28號), such deductible rate increased from 75% to 100%. The deductible rate of 100% becomes a long term applicable rate pursuant to the Announcement of the MOF and the State Administration of Taxation on Further Improving the Pre-tax Deduction Policy for R&D Expenses (Announcement no. 7 [2023])* (財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策公告[2023]第7號) issued in 2023. See "Regulatory overview — Laws and regulations relating to taxation" of this document. During the Track Record Period and up the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by government authorities with respect to our compliance with applicable tax laws and regulations. Moreover, we have obtained written confirmations from local tax bureaus of the PRC confirming that there was no outstanding tax payable by us or we were not subject to any penalty due to non-compliance with applicable rules or regulations during the period specified therein respectively. As advised by our PRC Legal Adviser, such confirmations have been issued by competent authorities.

Profit for the year/period

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our net profit amounted to approximately RMB49.8 million, RMB57.5 million, RMB68.3 million, RMB40.0 million and RMB48.9 million, respectively, representing a net profit margin of approximately 13.2%, 12.2%, 13.9%, 11.4% and 9.8%, respectively. The decrease in net profit from the nine months ended 30 September 2022 to the nine months ended 30 September 2023 was generally in line with the increase in cost of services, impairment losses on trade and other receivables and income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 30 September 2023 compared to nine months ended 30 September 2022

Revenue

Our revenue increased by approximately RMB146.6 million or 41.8% from approximately RMB350.7 million for the nine months ended 30 September 2022 to approximately RMB497.3 million for the nine months ended 30 September 2023. The increase was mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB151.6 million or 46.5%, from approximately RMB325.7 million for the nine months ended 30 September 2022 to approximately RMB477.3 million for the nine months ended 30 September 2023. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services and the strong marketing demand from a new customer, namely Customer M.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services decreased by approximately RMB4.9 million or 19.7%, from approximately RMB24.9 million for the nine months ended 30 September 2022 to approximately RMB20.0 million for the nine months ended 30 September 2023. The decrease was mainly due to our focus on business of mobile advertising solution services.

Cost of services

Our cost of services increased by approximately RMB134.8 million or 47.2%, from approximately RMB285.4 million for the nine months ended 30 September 2022 to approximately RMB420.2 million for the nine months ended 30 September 2023. This increase was in line with the increase in revenue generated from provision of mobile advertising solutions service for the corresponding period.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB11.7 million or 17.9%, from approximately RMB65.3 million for the nine months ended 30 September 2022 to approximately RMB77.0 million for the nine months ended 30 September 2023, which was mainly due to the increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin decreased from approximately 18.6% for the nine months ended 30 September 2022 to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by to the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and (ii) the decrease in our revenue from advertisement distribution services.

Other net income

Our other net income decreased by approximately RMB1.8 million or 58.1%, from approximately RMB3.1 million for the nine months ended 30 September 2022 to approximately RMB1.3 million for the nine months ended 30 September 2023 due to the decrease in additional deductible VAT.

Selling and marketing expenses

Our selling and marketing expenses decreased slightly by approximately RMB0.5 million or 16.7%, from approximately RMB3.0 million for the nine months ended 30 September 2022 to approximately RMB2.5 million for the nine months ended 30 September 2023.

General and administrative expenses

Our general and administrative expenses decreased slightly by approximately RMB0.2 million or 1.1%, from approximately RMB18.1 million for the nine months ended 30 September 2022 to approximately RMB17.9 million for the nine months ended 30 September 2023 and remained relatively stable.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables increased by approximately RMB1.5 million or 32.6%, from approximately RMB4.6 million for the nine months ended 30 September 2022 to approximately RMB6.1 million for the nine months ended 30 September 2023. This increase was mainly attributable to increase in aged balance of trade and other receivables.

Finance costs

Our finance costs increased by approximately RMB0.2 million or 16.7%, from approximately RMB1.2 million for the nine months ended 30 September 2022 to approximately RMB1.4 million for the nine months ended 30 September 2023.

Income tax

Our income tax increased by approximately RMB0.2 million or 14.3%, from approximately RMB1.4 million for the nine months ended 30 September 2022 to approximately RMB1.6 million for the nine months ended 30 September 2023 mainly as a result of increase in taxable income for the nine months ended 30 September 2023. Our effective tax rate was approximately 3.3% and 3.1% for the nine months ended 30 September 2022 and 2023, respectively. The low effective income tax rate is primarily because some of our subsidiaries are entitled to a tax-free period during the periods concerned.

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately RMB8.9 million or 22.3%, from approximately RMB40.0 million for the nine months ended 30 September 2022 to approximately RMB48.9 million for the nine months ended 30 September 2023. Our net profit margin decreased from approximately 11.4% for the nine months ended 30 September 2022 to approximately 9.8% for the nine months ended 30 September 2023 and was generally in line with the increase in cost of services, impairment losses on trade and other receivables and income tax.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue

Our revenue increased by approximately RMB22.4 million or 4.8%, from approximately RMB470.2 million for the year ended 31 December 2021 to approximately RMB492.6 million for the year ended 31 December 2022. This increase was mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB20.9 million or 4.8%, from approximately RMB433.3 million for the year ended 31 December 2021 to approximately RMB454.2 million for the year ended 31 December 2022 with continual management effort to expand the mobile advertising solutions services. The number of customers for our mobile advertising solutions services increased from 52 for the year ended 31 December 2021 to 181 for the year ended 31 December 2022. For the year ended 31 December 2022, the significant increase in the number of customers for our mobile advertising solutions services was mainly attributable to the migration of 88 customers from our advertisement distribution services to mobile advertising solutions services as we explored new business opportunities and developed business relationship with new customers.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services increased by approximately RMB1.5 million or 4.1%, from approximately RMB36.9 million for the year ended 31 December 2021 to approximately RMB38.4 million for the year ended 31 December 2022 and remained relatively stable.

Cost of services

Our cost of services increased by approximately RMB13.0 million or 3.5%, from approximately RMB376.5 million for the year ended 31 December 2021 to approximately RMB389.5 million for the year ended 31 December 2022 and remain relatively stable.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB9.4 million or 10.0%, from approximately RMB93.7 million for the year ended 31 December 2021 to approximately RMB103.1 million for the year ended 31 December 2022 mainly due to increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin increased slightly from approximately 19.9% for the year ended 31 December 2021 to approximately 20.9% for the year ended 31 December 2022.

Other net income

Our other net income increased by approximately RMB0.3 million or 6.4%, from approximately RMB4.7 million for the year ended 31 December 2021 to approximately RMB5.0 million for the year ended 31 December 2022 and remained relatively stable.

Selling and marketing expenses

Our selling and marketing expenses remained relatively stable and recorded approximately RMB3.9 million and RMB4.2 million for the years ended 31 December 2021 and 2022.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB2.2 million or 9.2%, from approximately RMB23.9 million for the year ended 31 December 2021 to approximately RMB26.1 million for the year ended 31 December 2022. This increase was mainly due to increase in professional fees in connection with the [REDACTED], being offset by the decrease in employee benefit expenses.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables decreased by approximately RMB2.6 million or 33.8%, from approximately RMB7.7 million for the year ended 31 December 2021 to approximately RMB5.1 million for the year ended 31 December 2022. This decrease was mainly due to the decrease in aged trade receivables.

Finance costs

Our finance costs decreased by approximately RMB1.6 million or 50.0%, from approximately RMB3.2 million for the year ended 31 December 2021 to approximately RMB1.6 million for the year ended 31 December 2022. This decrease was mainly due to decrease in bank borrowings.

Income tax

Our income tax increased by approximately RMB0.5 million or 22.7%, from approximately RMB2.2 million for the year ended 31 December 2021 to approximately RMB2.7 million for the year ended 31 December 2022. Our effective tax rate increased from approximately 3.7% for the year ended 31 December 2021 to approximately 3.8% for the year ended 31 December 2022 and remained relatively stable.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB10.8 million or 18.8%, from approximately RMB57.5 million for the year ended 31 December 2021 to approximately RMB68.3 million for the year ended 31 December 2022. Our net profit margin increased from approximately 12.2% for the year ended 31 December 2021 to approximately 13.9% for the year ended 31 December 2022 and the increase was in line with the increase in revenue and gross profit.

Year ended 31 December 2021 compared to year ended 31 December 2020

Revenue

Our revenue increased by approximately RMB92.5 million or 24.5%, from approximately RMB377.7 million for the year ended 31 December 2020 to approximately RMB470.2 million for the year ended 31 December 2021. This increase was mainly due to the increase in revenue generated from mobile advertising solutions services.

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services increased by approximately RMB89.8 million or 26.2%, from approximately RMB343.4 million for the year ended 31 December 2020 to approximately RMB433.3 million for the year ended 31 December 2021. This increase was due to the increase in demand from our customers under the enhanced efforts of our management to expand our mobile advertising solutions services. Our number of customers for our mobile advertising solutions services increased from 35 for the year ended 31 December 2020 to 52 for the year ended 31 December 2021.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services increased by approximately RMB2.7 million or 7.9%, from approximately RMB34.2 million for the year ended 31 December 2020 to approximately RMB36.9 million for the year ended 31 December 2021. The increase was mainly due to increase in demand from customers of advertisement distribution services.

Cost of services

Our cost of services increased by approximately RMB75.7 million or 25.2%, from approximately RMB300.8 million for the year ended 31 December 2020 to approximately RMB376.5 million for the year ended 31 December 2021. This increase was in line with the increase in revenue generated from provision of mobile advertising solutions service for the corresponding period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB16.8 million or 21.9%, from approximately RMB76.9 million for the year ended 31 December 2020 to approximately RMB93.7 million for the year ended 31 December 2021 due to increase in gross profit generated from provision of mobile advertising solutions services. Our gross profit margin slightly decreased, being approximately 20.4% and 19.9% for the years ended 31 December 2020 and 2021, respectively.

Other net income

Our other net income increased by approximately RMB0.1 million or 2.0%, from approximately RMB4.6 million for the year ended 31 December 2020 to approximately RMB4.7 million for the year ended 31 December 2021, and remained relatively stable.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately RMB0.9 million or 30.9%, from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.9 million for the year ended 31 December 2021. This increase was primarily due to the relatively low base for our employee benefit expenses where partial exemption to the contributions to social insurance by the PRC government from February to December 2020 due to COVID-19 pandemic was no longer available for the year ended 31 December 2021 and increase in number of sales staff of our sales and marketing department and the increase in entertainment expenses.

General and administrative expenses

Our general and administrative expenses increased by approximately RMB1.8 million or 8.1%, from approximately RMB22.1 million for the year ended 31 December 2020 to approximately RMB23.9 million for the year ended 31 December 2021. This increase was primarily due to increase in professionals in connection with the [REDACTED], and increase in employee benefit expenses as the one-off partial exemption to the contributions to social insurance by the PRC government in 2020 due to COVID-19, which is no longer available in 2021, being partially offset by decrease in research and development expenses with cessation of third-party software development service for the self-developed platform which was completed in the second quarter in 2021.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables increased by approximately RMB6.0 million or 345.8%, from approximately RMB1.7 million for the year ended 31 December 2020 to approximately RMB7.7 million for the year ended 31 December 2021. This increase was mainly attributable to increase in aged balance of trade and other receivables.

Finance costs

Our finance costs increased by approximately RMB0.2 million or 7.1%, from approximately RMB3.0 million for the year ended 31 December 2020 to approximately RMB3.2 million for the year ended 31 December 2021, and remained relatively stable.

Income tax

Our income tax increased by approximately RMB0.3 million or 14.7%, from approximately RMB1.9 million for the year ended 31 December 2020 to approximately RMB2.2 million for the year ended 31 December 2021 mainly as a result of increase in taxable income for the year ended 31 December 2021. Our effective tax rate remained stable at approximately 3.7% for the years ended 31 December 2020 and 2021.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately RMB7.7 million or 15.5%, from approximately RMB49.8 million for the year ended 31 December 2020 to approximately RMB57.5 million for the year ended 31 December 2021. Our net profit margin decreased slightly from approximately 13.2% for the year ended 31 December 2020 to approximately 12.2% for the year ended 31 December 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we principally financed our working capital and other liquidity requirements mainly through a combination of cash generated from our operating activities, and bank and other loans. Our cash and cash equivalents amounted to approximately RMB25.9 million, RMB55.9 million, RMB59.2 million and RMB14.6 million as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively.

Our principal uses of cash have been, and are expected to continue to be, the funding of required working capital, in particular for purchasing of advertising space from media partners and labour cost, and other recurring expenses to support the expansion of our operations.

The following table is a summary of our consolidated cash flow statements for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating cash flows before movements in working capital	57,782	72,398	79,667	48,577	59,588
Changes in working capital	(71,479)	(28,727)	(64,375)	(34,792)	(115,714)
Income tax paid	(610)	(426)	(768)	(756)	(1,265)
Net cash (used in)/generated from operating activities	(14,307)	43,245	14,524	13,029	(57,391)
Net cash generated from/(used in) investing activities	388	(155)	(24)	(37)	(132)
Net cash generated from/(used in) financing activities	3,804	(13,077)	(11,207)	(14,924)	12,965
Net (decrease)/increase in cash and cash equivalents	(10,115)	30,013	3,293	(1,932)	(44,558)
Cash and cash equivalents at the beginning of the year/period	36,016	25,896	55,908	55,908	59,195
Effect of foreign exchange rate changes	(5)	(1)	(6)	(7)	(2)
Cash and cash equivalents at the end of the year/period	25,896	55,908	59,195	53,969	14,635

Net cash (used in)/generated from operating activities

We derive our cash inflow from operating activities primarily through provision of mobile advertising solutions services. Cash outflow from operating activities primarily comprises traffic acquisition costs, employee benefit expenses, research and development expenses, professional fees and other operating expenses. Our cashflow from operating activities reflects our profit before income tax, adjusted for non-cash or non-operating items, such as impairment losses on trade and other receivables, depreciation, finance costs, interest income from third parties, net loss on disposal of property and equipment, and changes in working capital, including changes in trade and other receivables, trade and other payables, restricted bank deposit, contract liabilities as well as deferred income.

Our net cash used in operating activities was approximately RMB57.4 million for the nine months ended 30 September 2023. This net cash outflow was primarily attributable to our profit before income tax of approximately RMB50.5 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB6.1 million, depreciation of approximately RMB1.6 million and finance costs of approximately RMB1.4 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB118.7 million, which was mainly attributable to the increase in prepayments to suppliers; (b) changes in trade and other payables of approximately RMB4.4 million; and (c) changes in contract liabilities of approximately RMB7.4 million; and (iii) income tax paid of approximately RMB1.3 million. We plan to improve our net operating cash flow position in view of potential net operating cash inflows which we expect to generate. See "Liquidity and capital resources — Trade and other receivables" in this section for information on prepayments to suppliers. As our business develops, we expect to improve our negative cash flow position from our operations by generating more net cash from our operating activities, and improving our cost control and operating efficiencies. For details of our future plans on business development, see "Business — Strategies and future plans" in this document. We would adopt enhanced measures to more effectively control our cost and operating expenses leveraging our economies of scale. Moreover, we would optimise our liquidity to gain a better return for our Shareholders and maintain adequate risk control. We would more closely monitor and manage the settlement of our trade receivables, with active and regular communication between our sales department and our customers on the settlement dates and assessment of appropriate course of action with our legal team which will take appropriate legal actions if necessary, to avoid credit losses. We would also more closely monitor the settlement of our trade payables to achieve better cash flow position. Enhanced credit assessments by our sales and marketing department on our new customers would also be conducted, based on our established customer credit assessment criteria, including, among others, the potential customer's reputation, their client base, existing liability condition, financial and other background information.

Our net cash generated from operating activities was approximately RMB14.5 million for the year ended 31 December 2022. This net cash inflow was primarily attributable to our profit before income tax of approximately RMB71.0 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included depreciation of approximately RMB1.9 million, and finance costs of approximately RMB1.6 million; (ii) changes in working capital, which primarily comprised of (a) changes in trade and other receivables of approximately RMB39.1 million; (b) changes in trade and other payables of approximately RMB15.5 million; and (c) changes in contract liabilities of approximately RMB9.7 million; and (iii) income tax paid of approximately RMB0.8 million.

Our net cash generated from operating activities was approximately RMB43.2 million for the year ended 31 December 2021. This net cash inflow was primarily attributable to our profit before income tax of approximately RMB59.7 million, as adjusted mainly for (i) non-cash or non-operating items, which primarily included impairment losses on trade and other receivables of approximately RMB7.7 million, depreciation of approximately RMB1.9 million, and finance costs of approximately RMB3.2 million; (ii) changes in working capital, which primarily comprised (a) changes in trade and other receivables of approximately RMB54.6 million; (b) changes in trade and other payables of approximately RMB22.7 million; and (c) changes in contract liabilities of approximately RMB3.1 million; and (iii) income tax paid of approximately RMB0.4 million.

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

Net cash generated from/(used in) investing activities

Our cash used in investing activities mainly reflects our cash used in purchase of property and equipment and loans to third parties. Our cash generated from investing activities mainly comprises of proceeds from repayment of loans from third parties and interest received from third parties.

Our net cash used in investing activities was approximately RMB132,000 for the nine months ended 30 September 2023. This net cash outflow was primarily attributable to payment for the purchase of property and equipment of approximately RMB132,000.

Our net cash used in investing activities was approximately RMB24,000 for the year ended 31 December 2022. This net cash outflow was primarily attributable to purchase of property and equipment of approximately RMB38,000 offset by proceeds from sale of property and equipment of approximately RMB14,000.

Our net cash used in investing activities was approximately RMB0.2 million for the year ended 31 December 2021. This net cash outflow was primarily attributable to (i) loans to third parties of approximately RMB44.0 million, and (ii) purchase of property and equipment of approximately RMB0.4 million. This net cash outflow was offset by (i) repayment of loans from third parties of approximately RMB44.0 million, and (ii) interest received from third parties of approximately RMB0.2 million.

Our net cash generated from investing activities was approximately RMB0.4 million for the year ended 31 December 2020. This net cash inflow was primarily due to (i) repayment of loans from third parties of approximately RMB94.7 million, and (ii) interest received from third parties of approximately RMB0.1 million. This net cash inflow was offset by (i) loans to third parties of approximately RMB94.2 million, and (ii) purchase of property and equipment of approximately RMB0.2 million.

Net cash generated from/(used in) financing activities

Our cash inflow from financing activities mainly comprises borrowings. Our cash outflow in financing activities primarily for repayments of borrowings, interest payment, transaction fee payment and capital element of lease rentals paid. Our proceeds from bank and other loans include our loans from banks, non-financial institutions and shareholders during the relevant year/period. Our repayments of bank and other loans include our repayment of loans to banks, non-financial institutions and shareholders during the relevant year/period. For more information, see "Indebtedness — Bank and other loans" and "Related party transactions — (b) Related party balances and transactions" in this section and "Business — Legal proceedings and compliance — Borrowings from non-financial institutions and lending to corporates during the Track Record Period" in this document.

Our net cash generated from financing activities was approximately RMB13.0 million for the nine months ended 30 September 2023. This net cash inflow was primarily attributable to proceeds from bank and other loans of approximately RMB31.8 million being set off by (i) repayment of bank and other loans of approximately RMB14.7 million, (ii) capital element of lease rentals paid of approximately RMB1.7 million, (iii) interest paid of approximately RMB1.2 million and (iv) [REDACTED] paid of approximately [REDACTED].

Our net cash used in financing activities was approximately RMB11.2 million for the year ended 31 December 2022. This net cash outflow was primarily due to (i) repayments of bank and other loans of approximately RMB35.5 million; (ii) capital element of lease rentals paid of approximately RMB1.9 million; (iii) interest paid of approximately RMB1.2 million; and (iv) [REDACTED] paid of approximately [REDACTED]. This net cash outflow was partially offset by proceeds from bank and other loans of approximately RMB28.6 million.

Our net cash used in financing activities was approximately RMB13.1 million for the year ended 31 December 2021. This net cash outflow was primarily due to (i) repayments of bank and other loans of approximately RMB137.7 million; (ii) capital element of lease rentals paid of approximately RMB1.4 million; (iii) interest paid of approximately RMB2.0 million; (iv) transaction fees paid of approximately RMB1.2 million; and (v) [REDACTED] paid of approximately [REDACTED]. This net cash outflow was partially offset by proceeds from bank and other loans of approximately RMB129.9 million.

Our net cash generated from financing activities was approximately RMB3.8 million for the year ended 31 December 2020. This net cash inflow was primarily attributable to proceeds from bank and other loans of approximately RMB102.1 million, and partially offset by (i) repayments of bank and other loans of approximately RMB94.2 million; (ii) capital element of lease rentals paid of approximately RMB1.4 million; (iii) interest paid of approximately RMB2.2 million; and (iv) transaction fees paid of approximately RMB0.5 million.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our proceeds from bank and other loans amounted to approximately RMB102.1 million, RMB129.9 million, RMB28.6 million, RMB13.6 million and RMB31.8 million, respectively. During the Track Record Period, we obtained loans from banks, non-financial institutions and shareholders for use as our general working capital and to meet our short term financial needs. There was a time lag between the purchase of advertising space from media partners and the receipt of payment from customers and some of our media partners require our prepayment for acquisition of advertising space. See "Business — Working capital cycle" in this document and "Major components of consolidated statements of financial position — Trade and other receivables" in this section. Moreover, our customers may have delay in settlement of our invoices. In 2020 and 2021, Customer D generally took longer time to settle invoices due to its internal procedures on settlements. As at 31 December 2020 and 2021, our trade receivables from Customer D amounted to approximately RMB75.3 million and RMB29.8 million, respectively. As at 31 December 2021, our trade receivables from Customer I amounted to approximately RMB57.8 million. To meet our financial needs, we had borrowings from banks, non-financial institutions and shareholders from time to time. Thus, the amounts of proceeds from bank and other loans for the years ended 31 December 2020 and 2021 were significant.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, our repayment of bank and other loans amounted to approximately RMB94.2 million, RMB137.7 million, RMB35.5 million, RMB25.5 million and RMB14.7 million, respectively. These fluctuations were in line with the amounts of our proceeds from bank and other loans given that our Group's borrowings were all short-term borrowings.

MAJOR COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net current assets

The following table sets forth the details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current Assets					
Trade and other receivables	355,262	404,014	439,893	554,796	507,033
Restricted bank deposit	423	—	5	7	7
Cash and cash equivalents	25,896	55,908	59,195	14,635	76,846
Total current assets	381,581	459,922	499,093	569,438	583,886
Current Liabilities					
Trade and other payables	82,750	106,799	92,190	88,721	91,324
Contract liabilities	12,996	16,136	6,394	13,768	4,998
Bank and other loans	47,684	39,876	33,180	50,460	57,500
Lease liabilities	647	1,607	2,282	1,162	575
Income tax payable	2,150	4,074	5,756	6,371	4,789
Deferred income	423	—	—	—	—
Total current liabilities	146,650	168,492	139,802	160,482	159,186
Net current assets	234,931	291,430	359,291	408,956	424,700
Net assets	236,057	293,544	361,774	410,854	425,692

Our net current assets increased from approximately RMB234.9 million as at 31 December 2020 to approximately RMB291.4 million as at 31 December 2021 primarily due to increase in current assets, mainly attributable to increase in trade and other receivables, being partially offset by increase in current liabilities, mainly attributable to increase in trade and other payables. It further increased to approximately RMB359.3 million as at 31 December 2022, primarily due to decrease in current liabilities mainly attributable to decrease in bank and other loans and contract liabilities, and increase in current assets, mainly attributable to increase in trade and other receivables. As at 30 September 2023, our net currents assets increased to approximately RMB409.0 million. Such increase was mainly attributable to the increase in current assets (which was mainly due to the increase in trade and other receivables), being partially offset by the increase in current liabilities (which was mainly due to increase in contract liabilities and bank and other loans). Our net current assets further increased to approximately RMB424.7 million as at 31 December 2023. Such increase was mainly attributable to the increase in current assets (which was mainly due to increase in cash and cash equivalents) coupled with the decrease in current liabilities (which was mainly due to decrease in contract liabilities).

Our net assets increased from approximately RMB236.1 million as at 31 December 2020 to approximately BM293.5 million as at 31 December 2021, primarily attributable to our profit for the year of approximately RMB57.5 million in 2021. As at 31 December 2022, our net assets increased to approximately RMB361.8 million, primarily attributable to our profit for the year of approximately RMB68.3 million. As at 30 September 2023, we recorded net assets of approximately RMB410.9 million and the increase was mainly attributable to profit for the period of approximately RMB48.9 million.

Trade and other receivables

The following table sets forth the breakdown of our trade and other receivables as at the respective dates indicated:

	As at 31 December			**As at 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	176,066	183,034	157,833	168,389
Prepayments to suppliers	146,726	179,316	251,084	334,508
Deposits paid to media partners	20,944	22,478	10,024	7,810
Deductible input VAT	4,966	5,848	7,297	6,478
[REDACTED] to be capitalised	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rebates due from media partners	5,136	9,627	8,001	26,689
Amounts due from shareholder	82	82	123	123
Other deposits	879	876	1,097	3,121
Others	463	136	452	1,029
	355,262	404,014	439,893	554,796

Our trade and other receivables mainly comprised of trade receivables, prepayments to suppliers, and deposits paid to media partners.

Our trade and other receivables increased from approximately RMB355.3 million as at 31 December 2020 to approximately RMB404.0 million as at 31 December 2021, to approximately RMB439.9 million as at 31 December 2022 and further to approximately RMB554.8 million as at 30 September 2023, mainly due to increase in prepayments to suppliers.

Our trade receivables increased from approximately RMB176.1 million as at 31 December 2020 to approximately RMB183.0 million as at 31 December 2021 which was mainly attributable to Customer I of approximately RMB57.8 million. Our trade receivables decreased to approximately RMB157.8 million as at 31 December 2022 as we adopted a series of tightened internal control measures to manage our working capital and liquidity position. Our trade receivables increased to approximately RMB168.4 million as at 30 September 2023 which was in line with the increase in revenue.

Deposits paid to media partners represent the amount we paid to media partners as refundable deposits, and such amount could not be used to set off the traffic acquisition costs unless otherwise as agreed between our Group and the media partners. Deposits paid to media partners amounted to approximately RMB20.9 million, being approximately 5.5% of our total assets, as at 31 December 2020. It decreased from approximately RMB22.5 million, being approximately 4.8% of our total assets, as at 31 December 2021 to approximately RMB10.0 million, being approximately 2.0% of our total assets, as at 31 December 2022. It further decreased to approximately RMB7.8 million, being approximately 1.4% of our total assets, as at 30 September 2023. Such decrease was mainly attributable to the decrease of deposits placed to Supplier A as our Group reduced the purchase of advertising space from them. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, the refunds of deposits from media partners to our Group amounted to approximately RMB49.3 million, RMB12.6 million, RMB12.6 million and RMB9.5 million, respectively.

The following table sets forth the ageing analysis of trade receivables, based on invoice date and net of loss allowance, as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	151,502	153,321	143,160	121,300
6 months to 12 months	20,768	18,544	11,496	41,756
12 months to 24 months	3,796	11,169	3,177	5,333
More than 24 months	—	—	—	—
	176,066	183,034	157,833	168,389

As at 31 December 2023 and the Latest Practicable Date, approximately RMB97.6 million and RMB101.7 million (being approximately 57.9% and 60.4%) of the trade receivables as at 30 September 2023 was subsequently settled, respectively. Our Group's expected loss rate of ageing of trade receivables from 12 months to 24 months was approximately 6.9%, 13.9%, 22.1% and 30.2% as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Such increase in expected loss rate from 31 December 2020 to 31 December 2021 was mainly attributable to trade receivables from Customer D which generally took longer time to settle invoices due to its internal procedures on settlement. The increase in expected loss rate from 31 December 2021 to 30 September 2023 was mainly attributable to trade receivables from an advertising agent for our mobile advertising solutions services.

Ageing of our trade receivables from 6 months to 12 months increased from approximately RMB11.5 million as at 31 December 2022 to approximately RMB41.8 million as at 30 September 2023. Such increase was mainly attributable to trade receivables of the customers of our mobile advertising solutions services.

The following table sets forth our average trade receivable turnover days for the respective years/ period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	**2021**	**2022**	**2023**
Average trade receivable turnover days *(Note)*	71	83	75	59

Note: Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by gross billing for that year, multiplied by 365, 365, 365 days and 273 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

We generally granted a credit period of 0 to 90 days from the date of invoice to our customers during the Track Record Period. The average trade receivable turnover days was calculated based on average of the beginning and closing trade receivable balances for the year/period, divided by gross billing for the year/period, multiplied by the number of days of the year/period.

For our major customers, we usually grant them a credit period of 0 to 90 days, and we are generally required to pay the traffic acquisition costs to acquire advertising space on their behalf prior to delivery of our mobile advertising services. We issue monthly traffic usage reports to them for their checking and confirmation.

The average trade receivable turnover days increased from approximately 71 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021, and decreased to approximately 75 days for the year ended 31 December 2022 and further decreased to approximately 59 days for the nine months ended 30 September 2023. The increase in average trade receivable turnover days for the year ended 31 December 2021 was primarily due to trade receivables arising from Customer I whereas the decrease for the year ended 31 December 2022 and the nine months ended 30 September 2023 was mainly due to adoption of a series of tightened internal control measures to manage our working capital and liquidity position.

Prepayments to suppliers

Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It included the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers. It also included the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. Prepayments to suppliers are crucial to our operations and business expansion, as prepayments are generally required by media partners, such as Alibaba Group, Supplier C, Supplier F and Supplier I, for business cooperation with them, and such platforms are usually preferred and chosen by customers for placement of mobile ads. As a normal and usual course of our business arrangements with customers for our advertisement distribution services, we make prepayments to media partners on behalf of our customers before receiving payments from them. In this regard, we recognise a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost and we access the credit risks and makes provisions to the prepayment for suppliers. Our prepayments to suppliers increased from approximately RMB146.7 million as at 31 December 2020 to approximately RMB179.3 million as at 31 December 2021, to approximately RMB251.1 million as at 31 December 2022 mainly attributable to prepayment to suppliers of our advertisement distribution services to meet the expected advertising needs. Our prepayments to suppliers increased further to approximately RMB334.5 million as at 30 September 2023 mainly attributable to (i) the increase in demand from Customer M for placement of mobile ads on short video platforms and (ii) the increase in our traffic acquisition costs paid on behalf of customers for advertisement distribution services to meet their expected advertising needs with reference to the customers' marketing plans and schedules.

For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, our average prepayment turnover days (calculated as the average of the opening and closing balances of prepayments to suppliers divided by gross billing and multiplied by the number of days of the relevant years) were approximately 95 days, 75 days, 94 days and 106 days, respectively. The decrease in prepayment turnover days for the year ended 31 December 2021 was mainly attributable to increase in prepayment to media platforms arising from increase in demand of our mobile advertising solutions services from Customer L and another customer. The increase in prepayment turnover days for the year ended 31 December 2022 was mainly attributable to increase in prepayment on media platforms arising from increase in demand of our mobile advertising solutions services from 2 customers. The increase in prepayment turnover days for the nine months ended 30 September 2023 was mainly attributable to increase in prepayments to our suppliers, which is mainly due to the increase in our prepayments required by Supplier C for acquisition of advertising space, coupled with the decrease in gross billing. The increased turnover days recorded for the nine months ended 30 September 2023 was mainly due to the generally lower settlement recorded in the second and third quarters in 2023.

The following table sets forth the ageing analysis of prepayments to our suppliers as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	90,954	148,987	219,011	264,251
6 months to 12 months	43,257	15,065	31,736	65,641
12 months to 24 months	12,000	9,964	304	4,616
More than 24 months	515	5,300	33	—
	146,726	179,316	251,084	334,508

As at 30 September 2023, approximately RMB146.7 million, RMB179.3 million and RMB213.2 million (being approximately 100.0%, 100.0% and 84.9%) of the prepayments to suppliers as at 31 December 2020, 2021 and 2022 have been subsequently settled or utilised, respectively. As at 31 December 2023 and the Latest Practicable Date, approximately RMB160.5 million and RMB162.2 million (being approximately 47.9% and 48.5%) of prepayments to suppliers as at 30 September 2023 was subsequently settled or utilised, respectively. The prepayments to our suppliers amounted to approximately RMB334.5 million as at 30 September 2023, comprising (i) the traffic acquisition costs paid to media partners on behalf of our customers for advertisement distribution services of approximately RMB245.4 million, of which approximately RMB102.8 million were subsequently settled as at the Latest Practicable Date, and (ii) the prepayments required by suppliers for acquisition of advertising space of approximately RMB89.1 million, of which approximately RMB59.4 million were subsequently utilised as at the Latest Practicable Date.

Prepayments to suppliers mainly represents traffic acquisition costs prepaid for our customers. It primarily included (i) the traffic acquisition costs paid to media partners by our Group on behalf of our customers for advertisement distribution services and such costs would be subsequently settled by our customers and (ii) the prepayments required by suppliers for acquisition of advertising space and such costs would be subsequently utilised for acquiring advertising space. As at 31 December 2020, 2021 and 2022 and 30 September 2023, (i) the traffic acquisition cost paid to media partners by our Group in relation to our advertisement distribution services amounted to approximately RMB121.6 million, RMB94.1 million, RMB201.7 million and RMB245.4 million, respectively; and (ii) the prepayments required by suppliers for acquisition of advertising space amounted to approximately RMB25.1 million, RMB85.2 million, RMB49.4 million and RMB89.1 million, respectively. We recorded an increase in ageing of our prepayments to suppliers (i) from 6 months to 12 months from approximately RMB31.7 million as at 31 December 2022 to approximately RMB65.6 million as at 30 September 2023 and (ii) from 12 moths to 24 months from approximately RMB0.3 million as at 31 December 2022 to RMB4.6 million as at 30 September 2023. Such increase was mainly attributable to the delay in settlement by the customers for traffic acquisition cost paid by our Group on their behalf to media partners for advertisement distribution services, in particular a direct advertiser customer which was engaged in the gaming industry has delayed its payment to our Group as such customer was restructuring its business due to change of its shareholders. In view of the long payment cycle of such direct advertiser, we have reduced our transactions with such customer in 2023 and such customer has agreed to settle our outstanding invoices by the end of April 2024. In view of long payment cycle of some customers, our finance department and our sales and marketing department would closely monitor the collection status and would actively communicate with our customers on the settlement dates and would send payment reminders to our customers. As demonstrated by the ageing analysis above, the issue of long payment cycle has been improving since 31 December 2021 and prepayments to suppliers over 24 months old were all cleared as at 30 September 2023. The majority of the prepayments to suppliers of our Group aged less than 6 months as at 30 September 2023 and mirrors our increase in revenue during the Track Record Period.

Therefore, our Directors believe that there is no material recoverability risk inherent in our outstanding balance of trade receivables and prepayments to suppliers and sufficient provision has been made in accordance to applicable accounting rule for trade receivables and prepayments to suppliers as at 30 September 2023. In order to minimise the credit risk, we have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. We perform periodic impairment assessment on trade receivables. Trade receivables are grouped by internal credit rating based on shared credit risk characteristics by reference to past due exposure for customers and adjusted by forward-looking information. See "Business — Working capital cycle — Capital and liquidity management policy" in this document. During the Track Record Period and up to the Latest Practicable Date, except for Customer I, we had not experienced any material default. As at the Latest Practicable Date, to the best of our Directors' knowledge, we were not aware of any material outstanding balance of trade receivables and prepayments to suppliers that is expected to be unrecoverable. Upon careful assessment of the credit risk and the recoverability of the outstanding receivables, our Directors believe that there is no material credit risk and material issue on recoverability and sufficient provision has been made as at 30 September 2023.

Rebates due from media partners

As at 31 December 2020, 2021 and 2022 and 30 September 2023, the rebates due from media partners amounted to approximately RMB5.1 million, RMB9.6 million, RMB8.0 million and RMB26.7 million, respectively. The increase in rebates from media partners as at 30 September 2023 was mainly attributable to the strong marketing demand of Customer M for placement of mobile ads on media platforms operated by Supplier C and, to the best knowledge and belief of our Directors, such rebates would generally be settled by our media partners in the first quarter in 2024.

Factoring arrangements

In 2020, we entered into factoring arrangements without recourse between us and a PRC financial institution (the "**Financial Institution A**"), pursuant to which we can from time to time factor the trade receivables arising from Customer D to the Financial Institution A. The Financial institution A is a commercial bank in the PRC and to the best knowledge of our Directors, the Financial Institution A is an Independent Third Party. Under such arrangements, the Financial Institution A purchased our trade receivables by cash after confirming the validity of the trade receivables, and the trade receivables from Customer D originally owed to us will be settled to the Financial Institution A. Under such arrangements, the risk of non-payment or delay in payment by Customer D of the trade receivables factored shall be borne by the Financial Institution A and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position. There was no associated liabilities recognised under the factoring arrangements. During the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, (i) the total trade receivables with Customer D factored under the relevant arrangements amounted to approximately RMB24.1 million, RMB28.9 million, nil and nil, respectively, (ii) the total interest incurred on factoring arrangements amounted to approximately RMB50,000, RMB54,000, nil and nil, respectively, and (iii) the interest rate was 4%, 3.25%, nil and nil, respectively, which was based on 1-year loan prime rate (LPR) under the factoring arrangements, and the interest rates were comparable to our bank borrowings.

In September 2022, we entered into a factoring arrangement without recourse between us and a PRC financial institution (the "**Financial Institution B**"), pursuant to which we can from time to time factor the trade receivables arising from Customer A to the Financial Institution B. The Financial Institution B is an affiliate of Customer A and to the best knowledge of our Directors, the Financial Institution B is an Independent Third Party. Under such arrangements, the Financial Institution B purchased our trade receivables by cash after confirming the validity of the trade receivables, and the trade receivables from Customer A originally owed to us will be settled to the Financial Institution B. Under such arrangements, the risk of non-payment or delay in payment by Customer A of the trade receivables factored shall be borne by the Financial Institution B and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position. The factoring arrangement was entered by our Group in September 2022 and no trade receivables with Customer A has been factored under the factoring arrangement during the Track Record Period and up to the Latest Practicable Date.

In November 2022, we entered into a factoring agreement without recourse with a PRC financial institution (the "**Financial Institution C**"), which is an Independent Third Party and independent of Customer I, pursuant to which we factored all of the outstanding trade receivables of approximately RMB48.3 million arising from Customer I without recourse to Financial Institution C. Under such arrangement, Financial Institution C purchased our trade receivables at a discount rate of 8% (i.e. at a consideration of approximately RMB44.5 million) by cash, and the trade receivables from Customer I originally owed to us will be settled to Financial Institution C. Under such arrangement, the risk of non-payment or delay in payment by Customer I of the trade receivables factored shall be borne by the Financial Institution C and derecognised from our consolidated statements of financial position, which we believe may improve our liquidity position and effectively manage and reduce our risks arising from long and large trade receivables from Customer I. As at the Latest Practicable Date, our Group has received all the factored sum from Financial Institution C under such factoring arrangement and there is no outstanding payment which is payable by Customer I nor Financial Institution C to our Group. There was no associated liabilities recognised under the factoring arrangements. The amount of impairment in respect of the outstanding balance due from Customer I as at 31 December 2021 was approximately RMB1.9 million. After having reviewed the payment history of Customer I and having assessed the credit risk, our Group has not conducted any business with Customer I from the year ended 31 December 2022 and up to the Latest Practicable Date.

According to the iResearch Report, trade receivables factoring is a source of financing that mobile advertising service providers may enter into by selling their unpaid invoices to factoring companies for cash and risk transfer based on their debt financing plans and business strategies; and factoring of trade receivables, particularly receivables from sizable media publishers, is a common practice in the mobile advertising industry. In view of the benefits of factoring arrangements, we intend to expand the factoring arrangements to other customers as and when it is possible.

Restricted bank deposits

Our restricted bank deposits amounted to approximately RMB423,000, nil, RMB5,000 and RMB7,000 as at 31 December 2020, 2021 and 2022 and 30 September 2023, respectively. Our restricted bank deposits refers to amounts deposited in a designated bank account for discount interest from subsidy rewards (貼息獎勵) issued under the Beijing Cultural and Creative Industry Investment Loan Award Discount Reward* (北京市文化創意產業投貸獎) (the "**Reward**") and is applied for and issued to us for use upon approval of the relevant authorities on an annual basis. The decrease from 31 December 2020 to 31 December 2021 was mainly due to the full utilisation of the Reward. The deposits of RMB5,000 as at 31 December 2022 was the minimum deposit maintained at our bank. The deposits of RMB7,000 as at 30 September 2023 was bank deposit at an account which restricts withdrawal in connection to a bank loan.

Trade and other payables

Our trade and other payables primarily consisted of trade payables and cost payable to media partners on behalf of customers. Our trade and other payables amounted to approximately RMB82.8 million as at 31 December 2020, comprising mainly trade payables, cost payable to media partners on behalf of customers and customers deposits for our advertisement distribution services who required us to make prepayment of traffic acquisition costs to media platforms on their behalf. Our trade and other payables increased to approximately RMB106.8 million as at 31 December 2021 mainly due to increase in trade payables due to our business expansion in connection with purchase of advertising space and the increase in [REDACTED] payable. Our trade and other payables decreased to approximately RMB92.2 million as at 31 December 2022 mainly due to decrease in cost payable to media partners on behalf of customers, being partially offset by increase in other taxes and levies payable, staff cost payables and [REDACTED] payable. Our trade and other payables decreased to approximately RMB88.7 million as at 30 September 2023 mainly due to decrease in trade payables and staff cost payables.

Cost payable to media partners on behalf of customers represents the traffic acquisition costs to be paid by us before we received payments from our advertisement distribution services customers. The cost payable to media partners on behalf of customers amounted to approximately RMB31.8 million as at 31 December 2020. It decreased from approximately RMB28.6 million as at 31 December 2021 to approximately RMB10.6 million as at 31 December 2022 which was in line with decreasing number of customers for our advertisement distribution services attributable to our effort to serve customers for our advertisement distribution services with greater advertising needs. Our cost payable to media partners on behalf of customers increased to approximately RMB19.7 million as at 30 September 2023. Such increase was in line with our increase in prepayments to suppliers and was mainly attributable to the relatively longer payment cycle of certain customers for our advertisement distribution services, which were primarily advertising agents with established business relationship with our Group. The following table sets forth the breakdown of our trade and other payables as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,446	46,377	44,478	25,424
Cost payable to media partners on behalf of customers	31,826	28,570	10,559	19,724
Other taxes and levies payables	10,193	9,950	12,916	15,083
Staff cost payables	5,193	7,932	8,529	6,434
Customers deposits	6,689	4,067	2,700	2,260
Interest payable	48	126	127	127
[REDACTED] payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amounts due to directors	30	866	9	9
Other current liabilities	780	968	384	826
Other payables	545	552	1,116	1,488
	82,750	106,799	92,190	88,721

In general, our suppliers grant us a credit period of within 90 days after placement of ads. The following table sets forth the ageing analysis of our trade payables based on date of purchase as at the respective dates indicated:

	As at 31 December			As at 30 September
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	24,813	36,243	29,196	9,350
3 to 6 months	1,947	10,033	12,042	—
6 months to 1 year	663	26	3,240	16,030
1 to 2 years	23	61	—	44
2 to 3 years	—	14	—	—
	27,446	46,377	44,478	25,424

The following table sets forth our average trade payable turnover days for the respective years/ period indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2020	2021	2022	2023
Average trade payable turnover days *(Note)*	17	20	23	14

Note: Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the traffic acquisition costs on gross basis for that year, multiplied by 365, 365, 365 and 273 days for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

Our average trade payable turnover days increased from 17 days for the year ended 31 December 2020 to 20 days for the year ended 31 December 2021 and further to 23 days for the year ended 31 December 2022, mainly due to addition of new suppliers, such as Supplier H for the year ended 31 December 2021, which offers us a longer credit period of 90 days. It decreased to 14 days for the nine months ended 30 September 2023 as prepayments to suppliers made up a higher portion of cost of services for the nine months ended 30 September 2023 and some trade payables, such as that of Supplier A, were settled during the same period.

As at 31 December 2023 and the Latest Practicable Date, approximately RMB25.4 million and RMB25.4 million (being approximately 100.0% and 100.0%) of the trade payables as at 30 September 2023 was subsequently settled, respectively.

Contract liabilities

Contract liabilities represents advance payments from our customers for our mobile advertising services while the underlying services have not been provided then. As at 31 December 2020, 2021 and 31 December 2022 and 30 September 2023, our contract liabilities amounted to approximately RMB13.0 million, RMB16.1 million, RMB6.4 million and RMB13.8 million, respectively. Such amount fluctuates in line with the revenue generated from these customers who make advance payments.

As at 31 December 2023, approximately RMB10.0 million (being approximately 72.4%) of the contract liabilities as at 30 September 2023 was subsequently recognised as revenue.

Impact of COVID-19

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has materially and adversely affected the Chinese and global economy. In response to COVID-19, including the PRC government has imposed various measures to control the spread. These measures have caused a decline in certain business activities in the country. See "Business — Impact of outbreak of COVID-19 on our business" in this document.

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in China. The average daily time spent online by mobile users was 5.5 hours in China in 2022, approximately 3.4% more than that in 2021. The COVID-19 pandemic and the rapid development of mobile information technology are the two core reasons for this increase. It is expected by iResearch that there will be an increase in the average daily time spent online by mobile users because of the continuous escalation of mobile terminal equipment before a saturation point is gradually reached. The market size of mobile advertising industry in the PRC increased from approximately RMB366 billion in 2018 to approximately RMB895 billion in 2022, with a CAGR of approximately 25.0%, and it is expected to reach approximately RMB1,407 billion in 2027. See "Industry overview — Impact of COVID-19 to the internet market" in this document. Our financial performance during the Track Record Period serves as a fine proof and we had continuous increase in our revenue, gross profit and net profit. Our revenue increased by approximately 24.5% from approximately RMB377.7 million for the year ended 31 December 2020 to approximately RMB470.2 million for the year ended 31 December 2021. It further increased by approximately 4.8% to approximately RMB492.6 million for the year ended 31 December 2022. Our gross profit increased by approximately 21.9% from approximately RMB76.9 million for the year ended 31 December 2020 to approximately RMB93.7 million for the year ended 31 December 2021. It further increased by approximately 10.0% to approximately RMB103.1 million for the year ended 31 December 2022. Our net profit increased by approximately 15.5% from approximately RMB49.8 million for the year ended 31 December 2020 to approximately RMB57.5 million for the year ended 31 December 2021. It further increased by approximately 18.8% to approximately RMB68.3 million for the year ended 31 December 2022. Our Directors consider that the resurgence of COVID-19 pandemic in early 2022 has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date.

China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. However, there remains uncertainties associated with COVID-19, including further actions that may be taken by the PRC government, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are uncertain and cannot be accurately predicted. See "Risk factors — Risks relating to our business and industry — We face risks related to natural disasters and health epidemics" and "Risk Factors — Risks relating to doing business in the PRC — The PRC's economic and social conditions and government policies, as well as the global economy, may continue to affect our business" in this document.

RECENT DEVELOPMENT

See "Summary — Recent development" in this document.

WORKING CAPITAL

We intend to continue to finance our working capital with cash generated from our operations, [REDACTED] from the [REDACTED] and/or bank borrowings. We will closely monitor the level of our working capital, particularly in view of our strategy to continue to expand our mobile advertising business. Our future working capital requirements will depend on a number of factors, including but not limited to, the expected capital expenditure and working capital requirements for the level of our operational costs such as traffic acquisition costs, staff costs and research and development expenses. See "Business — Working capital cycle" in this document in connection with the cashflow mismatch in connection with the operating cashflow.

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including available bank borrowings, bank balances and cash, expected cash flows from our operations and the [REDACTED] from the [REDACTED], we will have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

The Directors confirmed that there is no material adverse change in the financials or trading positions of our Group since 30 September 2023.

INDEBTEDNESS

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date for our indebtedness statement.

The table below sets forth our indebtedness as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current liabilities					
Bank and other loans	47,684	39,876	33,180	50,460	57,500
Lease liabilities	647	1,607	2,282	1,162	575
	48,331	41,483	35,462	51,622	58,075
Non-current liabilities					
Lease liabilities	58	2,071	572	—	—
	48,389	43,554	36,034	51,622	58,075

Bank and other loans

The following table sets forth our bank and other loans as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Bank loans					
— Guaranteed	35,674	34,616	15,780	15,960	20,000
— Unsecured	7,010	5,260	7,400	24,500	27,500
— Secured	—	—	10,000	10,000	10,000
Unsecured shareholder's loans	5,000	—	—	—	—
	47,684	39,876	33,180	50,460	57,500

Our bank and other loans are denominated in Renminbi. As at 31 December 2020, 2021 and 2022 and 30 September 2023 the effective annual weighted interest rates of our bank and other loans were 6.2%, 7.8%, 4.3% and 3.4%, respectively.

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our bank and other loans amounted to approximately RMB47.7 million, RMB39.9 million, RMB33.2 million and RMB50.5 million, respectively. During the Track Record Period, we obtained bank loans and loans from shareholder for use as our general working capital to meet our financial needs because there was a time lag between the purchase of advertising space from media partners and the receipt of payment from customers and some of our media partners require our prepayment for acquisition of advertising space. See "Business — Working capital cycle" in this document and "Major components of consolidated statements of financial position — Trade and other receivables" in this section. Moreover, our customers may have delay in settlement of our invoices. In 2020 and 2021, Customer D generally took longer time to settle invoices due to its internal procedures on settlement. As at 31 December 2020 and 2021, our trade receivables from Customer D amounted to approximately RMB75.3 million and RMB29.8 million, respectively. As at 31 December 2021, our trade receivables from Customer I amounted to approximately RMB57.8 million. To meet our financial needs, we had borrowings from banks non-financial institutions and shareholders from time to time. Thus, our Group had significant bank and other loans as at 31 December 2020 and 2021.

Bank loans consist of interest-bearing short-term loans from commercial banks. As at 31 December 2020, 2021 and 2022 and 30 September 2023, most of our bank loans with interest rate from 3.3% to 6.0% per annum, respectively, were guaranteed and/or secured. The guaranteed bank loans were guaranteed by Mr. Yu, Mr. Zhao and independent guarantee companies. Mr. Yu, Ms. Shu, Mr. Zhao and the former spouse of Mr. Zhao, pledged their assets to these guarantee companies as counter-guarantees. The lender of guaranteed bank loans and the independent guarantee company have agreed to release all the personal guarantees on the date our Group receives the approval of the [REDACTED]. The guarantees provided by them for our existing bank loans are expected to be replaced with guarantees provided by our Company prior to or upon [REDACTED]. Based on our Group's track record in renewing bank loans during the Track Record Period and the grant of new loans by the banks, our Directors believe that we will be able to obtain further bank loans or facilities from such banks or other banks based on similar arrangements without reliance on the Controlling Shareholders.

As at 31 December 2020, 2021 and 2022, all bank and the majority of other loans were fixed rate loans repayable within 1 year. As at 30 September 2023, other than bank loan of RMB10 million is of variable interest rate, all other bank and other loans were fixed rate loans repayable within 1 year.

As at the Latest Practicable Date, we had no unutilised banking facilities.

Other unsecured borrowings consist of short-term loans provided by non-financial institutions (including our customers and suppliers) which have been ceased as at the Latest Practicable Date. For the years ended 31 December 2020 and 2021, we obtained unsecured borrowings of principal amount ranging from RMB1.0 million to RMB20.0 million from 3 Independent Third Parties, including a company which is both our customers and suppliers, for terms ranging from 5 days to 1 year at fixed interest rates ranging from 7% to 12% per annum. For the years ended 31 December 2020 and 2021, we provided unsecured lending of principal amount ranging from RMB2.0 million to RMB30.0 million to 3 Independent Third Parties, including a company which is both our customer and supplier, for terms ranging from 1 day to 1 year at fixed interest rates ranging from 7% to 12% per annum. Our lending to these Independent Third Parties during the Track Record Period had no correlations and were not inter-conditional to any of our borrowings and/or business of our Group. As confirmed by our Directors, all these borrowings had been fully repaid in September 2021. See "Business — Legal proceedings and compliance — Borrowings from non-financial institutions and lending to corporates during the Track Record Period" in this document. Despite we have terminated such transactions as at the Latest Practicable Date and were advised by our PRC Legal Adviser that the risk of being penalised is low, there is no assurance that we will not be charged for such historical non-compliance or will not be subject to any of such penalty. See "Risk factors — We may be subject to penalties as a result of private lending transactions with non-financial institutions during the Track Record Period, which constitute non-compliance under the PRC laws".

As at 31 December 2023 (being the latest practicable date for determining the indebtedness), we had bank and other loans of approximately RMB57.5 million.

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there is no material covenant related to our outstanding debts, guarantees or other contingent obligations that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that our Group had no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that there has been no material change in our indebtedness position since 31 December 2023, being the latest practicable date for the purpose of the indebtedness statement.

Lease liabilities

As at 31 December 2020, 2021 and 2022 and 30 September 2023, our total lease liabilities were approximately RMB0.7 million, RMB3.7 million, RMB2.9 million and RMB1.2 million. The following table sets forth the lease liabilities repayable as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 year	647	1,607	2,282	1,162	575
After 1 year	58	2,071	572	—	—
	705	3,678	2,854	1,162	575

The increase in lease liabilities as at 31 December 2021 was mainly attributable to entering into a new lease agreement in the PRC with lease term through 30 April 2024. The decrease in lease liabilities as at 31 December 2022 and 30 September 2023 was mainly attributable to amortisation of lease.

Income tax payable

Our income tax payable amounted to approximately RMB2.2 million as at 31 December 2020 and increased to approximately RMB4.1 million as at 31 December 2021, which was mainly attributable to increase in provision for PRC income tax made for the year ended 31 December 2021. Our income tax payable increased to approximately RMB5.8 million as at 31 December 2022, and further to approximately RMB6.4 million as at 30 September 2023. and primarily reflecting an increase in our profit before tax.

CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 30 September 2023, we did not have any hire purchase commitments, material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

Our Directors confirm that there has not been any material change in our contingent liabilities since 30 September 2023 and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangement.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditure on property and equipment and right-of-use assets. The following table sets forth our capital expenditures for the years/period indicated:

	For the year end 31 December			**For the nine months ended 30 September**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property and equipment	177	360	34	131
Right-of-use assets	436	4,341	1,039	—
Total	613	4,701	1,073	131

The right-of-use assets increased from approximately RMB0.4 million for the year ended 31 December 2020 to approximately RMB4.3 million for the year ended 31 December 2021. Such increase was mainly attributable to new tenancy agreement of office premises entered in 2021. The right-of-use assets decreased to approximately RMB1.0 million for the year ended 31 December 2022 mainly due to amortisation of rent.

It is estimated that our capital expenditure for the year ended 31 December 2023 will be approximately RMB5.3 million. Such estimate represents the total capital expenditure we expect to incur based on our business strategies and plans, including purchase of property, plant and equipment and the enhancement and upgrading of the functions of our self-developed platform as stated in "Future plan and [REDACTED] — [REDACTED]" in this document. We may adjust our business strategies and plans and the estimated total capital expenditure may also change.

COMMITMENTS

Capital commitments

We did not have any material capital commitments as at 31 December 2020, 2021 and 2022 and 30 September 2023.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of our material related party transactions during the Track Record Period:

(a) Key management personnel compensation

The following table sets out the remuneration for key management personnel of our Group, including amounts paid to the Directors, for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	1,927	1,902	1,982	1,152	1,794
Post-employment benefits	9	154	227	167	154
	1,936	2,056	2,209	1,319	1,948

Total remuneration is included in "Directors' emoluments" in this document (see Note 8 of the Accountants' Report set out in Appendix I to this document).

(b) Related party balances and transactions

The following table sets forth the non-trade balances we had with related parties as at the dates indicated:

	As at 31 December			As at 30 September
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from related parties				
— Mr. Zhao	5,000	—	—	—
Other amounts due to related parties				
— Mr. Zhao	17	851	9	9
— Mr. Yu	13	15	—	—
	30	866	9	9
Amounts due from shareholder				
— Ka Lok BVI	82	82	123	123

All balances with these related parties are unsecured, interest-free and repayable on demand. The non-trade balances due to Mr. Zhao and due from Ka Lok BVI will be settled prior to the [REDACTED].

The following table sets forth a summary of material related party transactions which, in the Directors' opinion, these transactions were carried out in the ordinary course of business for the years/periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loan received from related parties	7,000	2,000	—	—	—
Loan repaid to related parties	6,100	7,000	—	—	—
Interest expense	35	228	—	—	—
Advances from directors	9	836	112	112	—
Advances from directors repaid	—	—	969	969	—

For the years ended 31 December 2020 and 2021, we received loans from Mr. Yu, Mr. Zhao and Ms. Shu as part of our working capital. Our Directors confirm that these related party transactions of our Group were conducted in the normal course of business and were on arm's length basis. Our Directors have further confirmed that these related party transactions did not distort our results of operations of the Track Record Period or make our historical results not reflective of our future performance. For more information on related party transactions, see Note 21 to the Accountants' Report set out in Appendix I to this document.

[REDACTED]

The [REDACTED] primarily consist of professional fees, [REDACTED], and other fees and expenses in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] for the [REDACTED] are approximately [REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the [REDACTED] range and the [REDACTED] is not exercised, and without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), representing [REDACTED] of the gross [REDACTED] from the [REDACTED]. The estimated total [REDACTED] consist of (i) [REDACTED] expenses of approximately [REDACTED], and (ii) non-[REDACTED]-related expenses of approximately [REDACTED], including (a) fees and expenses of the Company's legal advisers and auditors and reporting accountants of approximately [REDACTED]; and (b) other fees and expenses of approximately [REDACTED]. For the years ended 31 December 2020, 2021, and 2022 and the nine months ended 30 September 2023, we incurred [REDACTED] of approximately [REDACTED], of which approximately [REDACTED] was charged to our consolidated statements of comprehensive income for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and the remaining amount of approximately [REDACTED] was included in other receivables and will be subsequently charged to equity. We estimate that [REDACTED] of approximately [REDACTED] will be incurred upon [REDACTED], of which approximately [REDACTED] will be charged to the consolidated statement of comprehensive income for the year ended 31 December 2023, and approximately [REDACTED] will be charged to equity.

SUMMARY OF FINANCIAL RATIOS

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

	As at/For the year ended 31 December			As at/For the nine months ended 30 September
	2020	2021	2022	2023
Current ratio(1)	2.6	2.7	3.6	3.5
Gearing ratio(2)	20.5%	14.8%	10.0%	12.6%
Interest coverage ratio (times)(3)	18.1	19.5	45.6	37.7
Return on total assets(4)	13.0%	12.4%	13.6%	11.4%
Return on equity(5)	21.1%	19.6%	18.9%	15.9%
Net profit margin(6)	13.2%	12.2%	13.9%	9.8%
Turnover growth(7)	(11.1)%	24.5%	4.8%	41.8%
Net profit growth(8)	1.5%	15.5%	18.8%	22.3%
Gross margin(9)	20.4%	19.9%	20.9%	15.5%
Quick ratio(10)	2.6 times	2.7 times	3.6 times	3.5 times
Debtors' turnover days (collection period)(11)	71 days	83 days	75 days	59 days
Creditors' turnover days (average payment period)(12)	17 days	20 days	23 days	14 days

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

2. Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year/period end and multiplied by 100%. For the purpose of this calculation, total debt includes bank and other loans and lease liabilities.

3. Interest coverage ratio is calculated by the profit before interest and tax divided by the finance costs as at the respective year/period end.

4. Return on total assets is calculated by the net profit for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.

5. Return on equity is calculated by the net profit attributable to owners of our Company for the year/period divided by the shareholders' equity as at the respective year/period end and multiplied by 100%.

6. Net profit margin is calculated by the net profit divided by the revenue for the respective year/period end and multiplied by 100%.

7. Turnover growth is calculated based on revenue for the year/period minus revenue for the previous year/period divided by revenue for the previous year/period multiplied by 100%.

8. Net profit growth is calculated based on net profit for the year/period minus net profit for the previous year/period divided by net profit for the previous year/period multiplied by 100%.

9. Gross margin is calculated based on gross profit divided by sales as at the respective year/period end multiplied by 100%.

10. Quick ratio is calculated based on current assets minus stock and divided by current liabilities as at the respective year/period end.

11. Debtors' turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by gross billing for that year, multiplied by 365, 365, 365 days and 273 for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

12. Creditors' turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the traffic acquisition costs on gross basis for that year, multiplied by 365, 365, 365 and 273 days for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023.

Current ratio

Our current ratio increased from 2.6 as at 31 December 2020 to 2.7 as at 31 December 2021 and increased to 3.6 as at 31 December 2022 mainly due to decrease in bank and other loans and increase in trade and other receivables. It decreased slightly to approximately 3.5 as at 30 September 2023 and remained relatively stable.

Gearing ratio

Our gearing ratio decreased from 20.5% as at 31 December 2020 to 14.8% as at 31 December 2021 mainly due to decrease in shareholders' loans and increase in equity, being offset by the increase in lease liabilities. It further decreased to 10.0% as at 31 December 2022 as we repaid part of the bank borrowings. It remained relatively stable being approximately 12.6% as at 30 September 2023.

Interest coverage ratio

Our interest coverage increased from 18.1 times as at 31 December 2020 to approximately 19.5 times as at 31 December 2021 due to increase in profit before interest and tax. It further increased to 45.6 times as at 31 December 2022 due to the significant decrease in finance costs as we repaid part of the bank borrowings. It decreased to approximately 37.7 times as at 30 September 2023 due to decrease in profits before interest and tax.

Return on total assets

Our return on total assets decreased from 13.0% as at 31 December 2020 to 12.4% as at 31 December 2021, mainly due to increase in total assets being offset by increase in net profit. Our return on total assets increased to 13.6% as at 31 December 2022 mainly due to increase in net profits, being offset by increase in total assets. Our return on total assets further decreased to 11.4% as at 30 September 2023 mainly due to increase in total assets being offset by increase in net profit.

Return on equity

Our return on equity decreased from 21.1% as at 31 December 2020 to 19.6% as at 31 December 2021, which was mainly attributable to increase in total equity, arising from increased in retained earnings, being offset by increase in net profit. Our return on equity decreased slightly to 18.9% as at 31 December 2022 and 15.9% as at 30 September 2023 mainly due to increase in total equity being offset by increase in net profit.

Net profit margin

Our net profit margin decreased slightly from 13.2% for the year ended 31 December 2020 to 12.2% for the year ended 31 December 2021, and increased to 13.9% for the year ended 31 December 2022, which was mainly due to increase in other net income and decrease in impairment losses on trade and other receivables. It decreased to approximately 9.8% for the nine months ended 30 September 2023 primarily due to the decrease in gross profit margin and the increase in impairment loss on trade and other receivables and income tax.

Turnover growth

Our revenue increased continuously during the Track Record Period mainly due to the increase in demand of our mobile advertising solutions services from our customers.

Net profit growth

Our net profit growth improved continuously during the Track Record Period, being approximately 1.5%, 15.5%, 18.8% and 22.3% for the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, and such increase was in line with the increase in net profit during the corresponding year or period.

Gross margin

Our gross margin remained relatively stable for the years ended 31 December 2020, 2021 and 2022, being approximately 20.4%, 19.9% and 20.9%, respectively. It decreased to approximately 15.5% for the nine months ended 30 September 2023 mainly due to (i) the increase in traffic acquisition costs with the decrease in rebates from media partners, such as Supplier H, Supplier I and Supplier J, caused by the decrease of our customers' demand for placement of mobile ads with them and the change of rebate policies of our media partners as their business plans may vary from time to time and needs and (ii) the decrease in our revenue from advertisement distribution services.

Quick ratio

Our quick ratio was the same as the current ratio as we do not held inventory during the Track Record Period.

Debtors' turnover days

Our average trade receivable turnover days increased from approximately 71 days for the year ended 31 December 2020 to approximately 83 days for the year ended 31 December 2021, and decreased to approximately 75 days for the year ended 31 December 2022 and further decreased to approximately 59 days for the nine months ended 30 September 2023. The increase in average trade receivable turnover days for the year ended 31 December 2021 was primarily due to trade receivables arising from Customer I whereas the decrease for the year ended 31 December 2022 and the nine months ended 30 September 2023 was mainly due to adoption of a series of tightened internal control measures to manage our working capital and liquidity position.

Creditors' turnover days

Our average trade payable turnover days increased 17 days for the year ended 31 December 2020 to 20 days for the year ended 31 December 2021 and further to 23 days for the year ended 31 December 2022, mainly due to addition of new suppliers, such as Supplier H for the year ended 31 December 2021, which offers us a longer credit period of 90 days. It further decreased to 14 days for the nine months ended 30 September 2023 as prepayments to suppliers made up a higher portion of cost of services for the nine months ended 30 September 2023 and some trade payables, such as that of Supplier A, were settled during the same period.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at 30 September 2023.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we did not declare or pay any dividends to our Shareholders.

After completion of the [REDACTED], our Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. See "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution, including in certain circumstances, share premium. Dividends declared in the past may not be indicative of our future dividend policy. Our Board has the absolute discretion to recommend any dividend.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. The PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, and such statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2023

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

Estimated consolidated profit attributable to
equity shareholders of the Company .... Not less than [REDACTED]

See "Appendix IIB — Profit estimate" in this document.

NO MATERIAL ADVERSE CHANGE

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

FINANCIAL RISKS

We are exposed to various types of financial risks, including credit risk, liquidity risk and interest rate risk. Our Directors review and agree on financial risk management policies and practices for managing each of these risks. See Note 20 of the Accountants' Report in Appendix I to this document.

Credit risk

Our Group's credit risk is primarily attributable to trade receivables. See Note 20 of the Accountants' Report in Appendix I to this document.

Liquidity risk

In management of the liquidity risk, our Group's policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. See Note 20 of the Accountants' Report in Appendix I to this document.

Interest rate risk

Our Group's borrowings are all short-term borrowings, issued at fixed rates. Fluctuation of interest rate will not have significant impact to our Group. See Note 20 of the Accountants' Report in Appendix I to this document.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See "Unaudited [REDACTED] financial Information" in Appendix IIA to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.