

SUMMARY

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

OVERVIEW

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

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

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

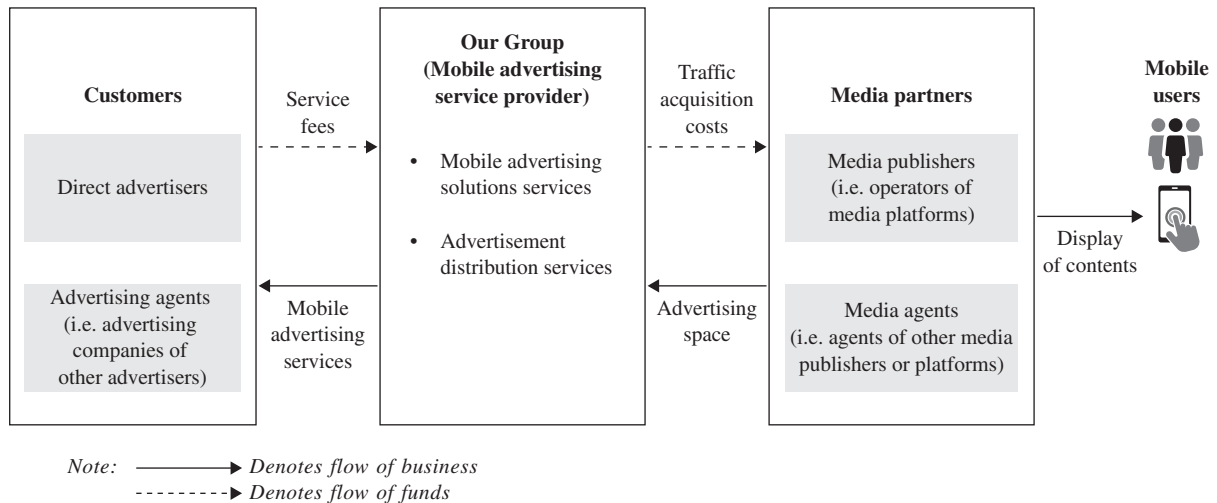
Our capacities to produce and optimise mobile ads are critical to our business growth. Advertisers are generally in greater need of value-added services from mobile advertising service providers and the provision of one-stop mobile advertising solutions services is one of the future trends of the mobile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

SUMMARY

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

BUSINESS MODEL

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



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

Role of our Group

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

Our mobile advertising solutions services

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

SUMMARY

Our advertisement distribution services

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

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

Revenue by industry verticals of customers

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

	For the year ended 31 December						For the nine months ended 30 September			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
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
	<u>377,667</u>	<u>100.0</u>	<u>470,180</u>	<u>100.0</u>	<u>492,570</u>	<u>100.0</u>	<u>350,671</u>	<u>100.0</u>	<u>497,261</u>	<u>100.0</u>

Notes:

- (1) Include technology companies which provide a wide range of products and services including app store, social media platforms, search engines, video sharing and browsing app, news app, etc.
- (2) Others primarily include education, real estate, business services, sports and food and beverage industries, etc.
- (3) Advertising agents are advertising companies, which generally do not maintain a large team of manpower for handling ad placements requests and/or in-house production of mobile ads. They engaged us for mobile advertising services on behalf of their own customers, which are direct advertisers from various industries. See “Business — Our Business — Customers” in this document.

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

Further details, see “Business — Our customers — Industry verticals of our customers” and “Financial information — Key components of our results of operations” in this document.

SUMMARY

PRICING MODELS

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

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

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

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

SUMMARY

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

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

CUSTOMERS AND SUPPLIERS

Our customers

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

Movement and average revenue of our customers

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

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

Notes:

- Number of customers for our mobile advertising solutions services includes the customers which engage us for both of our mobile advertising solutions services and advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, there were 4, 0, 10, 8 and 8 customers which engaged us for both services, respectively. These customers were not included in the number of customers for our advertisement distribution services.
- It refers to the average revenue per customer.
- During the Track Record Period, there were migration of customers from our advertisement distribution services to mobile advertising solutions services leveraging on the continual effort of our management. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2022 and 2023, (i) there were 13, 4, 88, 61 and 3 customers migrated to our mobile advertising solutions services, respectively, and (ii) our revenue generated from these migrated customers amounted to approximately RMB56.0 million, RMB122.3 million, RMB136.3 million, RMB79.8 million and RMB2.6 million, respectively. For details of the fluctuations in the customers migration during the Track Record Period, see “Business — Our Customers — Movement and average revenue of our customers — Changes in the number of customers for our mobile advertising solutions services” in this document.

SUMMARY

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

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

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

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

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

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

SUMMARY

the average revenue per customer for mobile advertising solutions services amounted to approximately RMB2.0 million and RMB4.5 million, respectively. Such increase was mainly due to our effort to serve customers with greater advertising needs, such as Customer M which had a strong marketing demand for promotion of its business.

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

See “Business — Our customers — Movement and average revenue of our customers” in this document.

Our suppliers

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

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

See “Business — Suppliers” in this document for further details.

Overlapping of customers and suppliers

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

COMPETITIVE STRENGTHS

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

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

SUMMARY

STRATEGIES

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

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

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk factors” of this document. Before you decide to invest in our Shares, you are invited to read that section in its entirety carefully. Some of the major risks we face are summarised as follows:

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

OUR CONTROLLING SHAREHOLDERS

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

SUMMARY

THE [REDACTED] INVESTOR

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme), the [REDACTED] Investor will hold [REDACTED] of the enlarged issued share capital of our Company. The [REDACTED] Investor is a company incorporated in Singapore with limited liability and has a focus of its investment in the technology, media and telecommunications industry and education industry. See “History and development — [REDACTED] Investment” in this document for further details.

KEY FINANCIAL INFORMATION

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

Key consolidated statements of comprehensive income

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

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

SUMMARY

Key consolidated statements of financial position

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

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

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

Key consolidated cash flow statements

	For the year ended 31 December			For the nine months ended 30 September	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>25,896</u>	<u>55,908</u>	<u>59,195</u>	<u>53,969</u>	<u>14,635</u>

SUMMARY

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

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

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

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

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

Key financial ratios

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

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

For details, see “Financial information — Summary of financial ratios” in this document.

SUMMARY

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

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

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

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2023

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

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

[REDACTED] STATISTICS

[REDACTED] will initially be made available under the [REDACTED] comprising the [REDACTED] of initially [REDACTED] (subject to reallocation) and the [REDACTED] of initially [REDACTED] (subject to reallocation and the [REDACTED]).

	Based on [REDACTED] of HK\$[REDACTED] per Share	Based on [REDACTED] of HK\$[REDACTED] per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted net tangible assets per Share ⁽²⁾	RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) ⁽³⁾	RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) ⁽³⁾

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account the exercise of any option which may be granted under the Share Option Scheme).
- (2) The unaudited [REDACTED] adjusted net tangible assets per Share was calculated after adjustments as specified in “Appendix IIA — Unaudited [REDACTED] financial information” to this document. The unaudited [REDACTED] adjusted net tangible assets per Share does not take into account of the exercise of the [REDACTED] and any shares which may be issued or repurchased by the Company pursuant to the general mandates. The unaudited [REDACTED] adjusted net tangible assets per Share amounts in RMB are converted into Hong Kong dollar at a rate of RMB1.00 to HK\$1.0844. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate.
- (3) No adjustment has been made to reflect any trading result, dividends declared or other transactions of the Group entered into subsequent to 30 September 2023.

SUMMARY

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) from the [REDACTED], after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and assuming the initial [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range set forth on the cover page of this document. It is expected that [REDACTED] from the [REDACTED] will be used as follows:

	% of the net [REDACTED]	HKD [REDACTED]	(equivalent to RMB [REDACTED])
Future Plans			
To expand our mobile advertising business in the PRC	[REDACTED]	[REDACTED]	[REDACTED]
To expand our short video production capacities	[REDACTED]	[REDACTED]	[REDACTED]
To enhance and upgrade the functions of our self-developed platform	[REDACTED]	[REDACTED]	[REDACTED]
To explore business collaboration and merger and acquisition opportunities with well-established companies	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

For the expected implementation timetable and other details, see “Business — Strategies and future plans” and “Future plans and [REDACTED] — [REDACTED]” in this document.

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, development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. For details, see “Summary of the constitution of our Company and Cayman Islands company law” in Appendix III to this 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 at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in the PRC. See “Industry overview — Impact of COVID-19 to the internet market” in this 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. See “Key financial information — Key consolidated statements of comprehensive income” in this section. Moreover, our Directors consider that the resurgence of COVID-19 pandemic in early 2022 has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date. See “Business — Impact of outbreak of COVID-19 on our business” in this document. See “Risk factors — Risks related to our business and industry — We face risks related to natural disasters and health epidemics” and “Risk factors — Risks relating to doing business in the PRC — The PRC’s economic and social conditions and government policies, as well as the global economy, may continue to affect our business” in this 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 HK\$[REDACTED] (assuming that the [REDACTED] is conducted at the mid-point of the [REDACTED] range and the [REDACTED] is not exercised, and without taking

SUMMARY

into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), representing approximately [REDACTED] of the [REDACTED] from the [REDACTED]. The estimated total [REDACTED] consist of (i) [REDACTED] expenses of approximately HK\$[REDACTED], and (ii) [REDACTED] expenses of approximately HK\$[REDACTED], including (a) fees and expenses of the Company’s legal advisers and auditors and reporting accountants of approximately HK\$[REDACTED]; and (b) other fees and expenses of approximately HK\$[REDACTED]. For the years ended 31 December 2020, 2021 and 2022 and the nine months ended 30 September 2023, we incurred [REDACTED] of approximately HK\$[REDACTED], of which approximately HK\$[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 HK\$[REDACTED] was included in other receivables and will be subsequently charged to equity. We estimate that [REDACTED] of approximately HK\$[REDACTED] will be incurred upon [REDACTED], of which approximately HK\$[REDACTED] will be charged to the consolidated statement of comprehensive income for the year ended 31 December 2023, and approximately HK\$[REDACTED] will be charged to equity.

RECENT DEVELOPMENT

Regulatory update — Overseas listing

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

Regulatory update — Cybersecurity

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the New CAC Measures, which came into effect on 15 February 2022. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of our Company, with China Cybersecurity Review Technology and Certification Center (“CCRC”), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that [REDACTED] in Hong Kong will not be deemed as [REDACTED] abroad under the New CAC Measures. Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the [REDACTED] of “abroad” in the provision; (ii) our Group had not been notified by any authorities of being classified as a critical information infrastructure operator, and according to relevant rules, the relevant authorities must notify operators if they are categorised as critical information infrastructure operators; (iii) our possession of personal information of the main contact persons of our customers is far less than 1 million as our business mainly involved provision of mobile advertising services for enterprise advertisers instead of end consumers and our Group does not possess any mobile users’ personal information; and (iv) our

SUMMARY

Group had not been involved in any activities that might give rise to national security risks based on the factors set out in the New CAC Measures during the Track Record Period and up to the Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures. For details of the rules in relation to the identification of critical information infrastructure operators, see “Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection”, “Risk factors — Risks relating to our business and industry — Our business is subject to complex and evolving laws and regulations, which may be relatively new” and “Business — Cybersecurity” in this document.

Business update

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

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

No material adverse change

Our Directors confirm that, up to the date of this 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.