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**Lesi Group Limited**  
**樂思集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2540)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Lesi Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022. The annual results for the year ended 31 December 2023 have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

**FINANCIAL PERFORMANCE HIGHLIGHTS**

	Year ended 31 December		Year-on-year Change
	2023	2022	
	RMB'000	RMB'000	
Revenue	<b>628,026</b>	492,570	27.5%
Gross profit	<b>103,998</b>	103,053	0.9%
Profit before income tax	<b>68,415</b>	71,013	-3.7%
Profit for the year attributable to equity shareholders of the Company	<b>65,231</b>	67,290	-3.1%

## **BUSINESS REVIEW AND OUTLOOK**

The domestic economy in the People's Republic of China (the "PRC") gradually recovered in an orderly manner as the world emerged from the haze of the pandemic. Due to varying pace of recovery across industries and the uncertainties in the overall business environment, there remains potential for enhancing consumer market sentiment. This has resulted in enterprises adopting a cautious approach towards business development and marketing promotions, as they await the restoration of market confidence. Yet, the internet industry in the PRC has been developing continuously in recent years. The internet continues to create new industry opportunities and connects more closely with people's lives. Although the growth rate of the number of internet users in the PRC has slowed down in recent years, the overall internet penetration level in the PRC is high and is expected to further improve in the future. According to China Internet Network Information Center ("CNNIC"), in the first half year of 2023, the number of internet users in the PRC was approximately 1,079 million, the number of mobile internet users was approximately 1,076 million, the penetration rate of mobile internet users to internet users was approximately 99.7%. As people rely more and more on smart phones and other smart devices, the penetration rate of mobile internet has been gradually increasing, nearly close to 100.0%. In addition, the use of resources on mobile apps permeates all aspects of daily life and mobile apps become important platforms for mobile online marketing.

Benefiting from the recent rapid growth of the internet advertising industry, the Group keep ourselves abreast of the latest market trends and developments, focus our resources to develop and expand our capacities to provide value-added services to customers and enhance our competitiveness in the mobile advertising market. We also consider that our in-house content production capacity is another driver to our business growth. We formulate mobile marketing plans and produce ad contents to mobile users to increase the marketing effectiveness of an ad campaign. Moreover, we monitor market trends closely and increase the offerings of our ad formats from still images and texts to short videos to meet market demands. Our total gross billing increased by approximately 14.3% from approximately RMB831.8 million for the year ended 31 December 2022 to approximately RMB950.5 million for the year ended 31 December 2023 and our total revenue increased by approximately 27.5% from approximately RMB492.6 million for the year ended 31 December 2022 to approximately RMB628.0 million for the year ended 31 December 2023. Our net profit decreased slightly by approximately 3.5% from approximately RMB68.3 million for the year ended 31 December 2022 to approximately RMB65.9 million for the year ended 31 December 2023.

### **Mobile advertising solutions services**

The Group provides 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 return on investment.

We believe that a network for ad distribution is crucial to our continuous growth in the mobile advertising industry. Thus, we are committed to developing and establishing solid business relationship with reputable media partners to ensure a smooth and consistent supply of advertising space for our placement of mobile ads. Our media partners include media publishers (being operators of media platforms) and media agents of other media publishers. As at 31 December 2023, we have established business relationship with six media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by these media publishers. These media platforms include leading short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. With an extensive network for ad distribution, we can place mobile ads for marketing of brands, products and services of our customers to a wide spectrum of mobile users with different interests.

For the year ended 31 December 2023, we served 182 customers from various industries, covering technology and internet services, financial services and gaming industries in the PRC. Our revenue generated from mobile advertising solutions services increased by approximately 32.6% from approximately RMB454.2 million for the year ended 31 December 2022 to approximately RMB602.1 million for the year ended 31 December 2023. Revenue generated from mobile advertising solutions services accounted for approximately 95.9% of our total revenue for the year ended 31 December 2023.

#### **Advertisement distribution services**

Our advertisement distribution services include acquisition of advertising space and ad distribution, being standalone services. We purchase advertising space from our media partners for our customers. It involves the practice of arbitrage where we purchase advertising space and sell them to 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.

Our revenue generated from advertisement distribution services decreased by approximately 32.6% from approximately RMB38.4 million for the year ended 31 December 2022 to approximately RMB25.9 million for the year ended 31 December 2023.

## **Competitive strengths and strategies**

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

- ***Maintain established relationship with top media partners operating leading media platforms in the PRC***

According to the research report conducted by Shanghai iResearch Co., Ltd., a market research and consulting company in the PRC, media resources are essential to mobile advertising service providers as one of the key competitive factors of mobile advertising service providers in the PRC. For the year ended 31 December 2023, we are a distributor of six media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 30 media platforms operated by them. We possess such media resources and will continue to expand our media resources to maintain and enhance our competitiveness in the industry. These media platforms provide different contents to attract mobile users with diverse habits and preferences. Our business strategy is to develop and maintain an extensive network for distribution of mobile ads on a balanced mixture of media platforms with different contents and nature, whereby mobile ads can be placed on media platforms commonly used by mobile users with stable and large traffic as well as media platforms used by mobile users with specific common interests with relatively positive growth potential, whilst we may also collect and analyse proprietary statistics of different mobile users on such media platforms, thereby enabling us to customise our mobile advertising solutions for our customers to better meet their advertising needs and increase our business profitability.

- ***Continue to expand our short video production capacities***

After over 20 years of rapid development, the internet advertising market in the PRC underwent structural adjustments due to multiple macroeconomic factors, we offer mobile advertising solutions services to our customers with a focus on in-feed advertising. Over the years of our operation, we have accumulated extensive experience in the provision of mobile advertising services and understanding marketing needs of customers from different industries. With our in-house video production capacities, the Group can provide mobile advertising solutions services to our customers, from project planning, idea generation, scripts writing, video filming and editing, post-production of video to distribution to mobile ads in video format on media platforms, subject to our customers' needs and budget plans. The offer of video production enriches our service offerings and enables our customers to outsource the whole marketing campaign to us, and thereby increase their reliance on the Group and enhance our profitability. Our in-house production capacities have contributed to the growth of our business and we will continue to closely monitor our customers' needs and demands and, to our best effort, increase our service offerings to meet market demand and expand our customer base. We also actively explore the practical application of various new technologies, including AI generative technology, in short video production. Although we are a relatively small market player in the mobile advertising industry which is fragmented and competitive,

we focus our resources to expand our production capacities and enhance our value-added services so as to differentiate ourselves from our competitors. We also put significant effort to understand the products and brands of our customers and the habits of mobile users when we develop and create mobile ads so that our mobile ads can achieve marketing goals of our customers efficiently. Leveraging on our content production capacities, we can establish business relationship with top media publishers and can successfully expand our network for ad distribution.

- ***Enhance and upgrade the functions of our self-developed platform***

To adapt to the challenging times, we are constantly optimising our cost structure and improving our operational efficiency. Our self-developed platform has integrated applications for our internal use as our enterprise resource planning system to manage and operate our business systematically. The major features of our platform cover accounting and financial management, operation and order management, data management and customer information management. Through this platform, we can integrate performance data of our mobile ads from our media partners, analyse performance data for optimising overall results of mobile ads, review and oversee status of customers' orders and record our operating data and financial data. It also assists us in the management of resources for our production of mobile ads. We plan to upgrade our existing platform by expanding its functions so that the system can automate the collection of traffic usage data and behaviour data of mobile users from media platforms operated by our media publishers. We can then analyse various data for our internal use to formulate mobile advertising solutions in a timely manner. We intend to include algorithm capacities to our platform so that it can process various data, such as performance data and behaviour data, to enhance the accuracy of market analysis and to keep us abreast of the latest market trends and developments. Through this platform, we can design and formulate more effective mobile advertising solutions to better serve our customers and achieve advertising goals.

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

We plan to explore business opportunities to cooperate with media platforms with a focus on cross-border e-commerce markets. Such opportunities would enhance our overall technological capability and create synergies with our existing business and can strengthen our solutions services and capacities which will enable us to create ad contents tailored to our target mobile users in specific local and/or overseas markets, such as marketing companies engaging in the provision of live streaming contents on the e-commerce platforms, with an established customer base, and marketing companies engaging in the provision of post advertising services for sale of products on overseas media platforms. We believe that our strengthened service capabilities in key overseas markets and selected regions in the PRC will enable us to grow and expand our customer base and our network for distribution of mobile ads and we will be better equipped for future competition.

## FINANCIAL REVIEW

The following table sets forth the audited consolidated financial results of the Group for the year ended 31 December 2023, together with the audited comparative figures for the year ended 31 December 2022.

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>628,026</b>	492,570
Costs of services	<b>(524,028)</b>	(389,517)
<b>Gross profit</b>	<b>103,998</b>	103,053
Other net income	<b>1,569</b>	4,978
Selling and marketing expenses	<b>(3,354)</b>	(4,244)
General and administrative expenses	<b>(29,020)</b>	(26,054)
Impairment losses on trade and other receivables	<b>(2,533)</b>	(5,129)
<b>Profit from operations</b>	<b>70,660</b>	72,604
Finance costs	<b>(2,245)</b>	(1,591)
<b>Profit before taxation</b>	<b>68,415</b>	71,013
Income tax	<b>(2,508)</b>	(2,706)
<b>Profit for the year</b>	<b>65,907</b>	68,307

### Revenue

Revenue of the Group increased by approximately RMB135.5 million or 27.5%, from approximately RMB492.6 million for the year ended 31 December 2022 to approximately RMB628.0 million for the year ended 31 December 2023. This increase was mainly due to the increase in demand for the mobile advertising solutions services from customers.

A breakdown of the revenue of the Group for the years indicated are set forth in the table below:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Mobile advertising solutions services (gross method)	<b>602,109</b>	454,156
Advertisement distribution services (net method)	<b>25,917</b>	38,414
	<b><u>628,026</u></b>	<u>492,570</u>

***Revenue generated from mobile advertising solutions services***

Revenue generated from mobile advertising solutions services increased by approximately RMB147.9 million or 32.6%, from approximately RMB454.2 million for the year ended 31 December 2022 to approximately RMB602.1 million for the year ended 31 December 2023. This increase was due to the increase in demand from customers under the enhanced marketing efforts of the Group and the high demand from a new customer.

***Revenue generated from advertisement distribution services***

Revenue generated from advertisement distribution services decreased by approximately RMB12.5 million or 32.6%, from approximately RMB38.4 million for the year ended 31 December 2022 to approximately RMB25.9 million for the year ended 31 December 2023. Such decrease was mainly attributable to the migration of some customers from the advertisement distribution services to mobile advertising solutions services due to the change of marketing strategy of these customers.

**Costs of services**

Costs of services of the Group primarily consists of traffic acquisition costs, employee benefit expenses and video production costs. The costs of services increased by approximately RMB134.5 million or 34.5%, from approximately RMB389.5 million for the year ended 31 December 2022 to approximately RMB524.0 million for the year ended 31 December 2023. Such increase was mainly due to the decrease in rebates from certain media partners as the rebate policies of media partners of the Group may vary from time to time subject to their business plan and needs, and the increase in the video production costs due to the increase in demand for mobile ads in video format.

## **Gross profit and gross profit margin**

Gross profit of the Group increased by approximately RMB0.9 million or 0.9%, from approximately RMB103.1 million for the year ended 31 December 2022 to approximately RMB104.0 million for the year ended 31 December 2023, which was mainly due to the increase in gross profit generated from provision of mobile advertising solutions services. The gross profit margin decreased from approximately 20.9% for the year ended 31 December 2022 to approximately 16.6% for the year ended 31 December 2023 mainly due to (i) the increase in traffic acquisition costs with the decrease in rebates from media partners caused by the decrease of the customers' demand for placement of mobile ads with them and the change of rebate policies of media partners of the Group as their business plans may vary from time to time; and (ii) the decrease in revenue from advertisement distribution services.

## **Other net income**

Other net income of the Group primarily consists of interest income, additional deductible value-added tax (“VAT”) and others. The other net income decreased by approximately RMB3.4 million or 68.0%, from approximately RMB5.0 million for the year ended 31 December 2022 to approximately RMB1.6 million for the year ended 31 December 2023 mainly due to the decrease in additional deductible VAT.

## **Selling and marketing expenses**

Selling and marketing expenses of the Group primarily consists of employee benefit expenses, entertainment expenses, travelling expenses and others. The selling and marketing expenses decreased by approximately RMB0.8 million or 19.0%, from approximately RMB4.2 million for the year ended 31 December 2022 to approximately RMB3.4 million for the year ended 31 December 2023 mainly due to the decrease in employee benefit expenses resulted from the reduction of personnel for sales and marketing team.

## **General and administrative expenses**

General and administrative expenses of the Group mainly consists of professional fees, research and development expenses, employee benefit expenses, depreciation, property utilities expenses, entertainment expenses and others. The general and administrative expenses increased by approximately RMB2.9 million or 11.1%, from approximately RMB26.1 million for the year ended 31 December 2022 to approximately RMB29.0 million for the year ended 31 December 2023. Such increase was primarily attributed to an incremental in employee benefit expenses of research and development department.

## **Impairment losses on trade and other receivables**

Impairment losses on trade and other receivables of the Group consists of provision for impairment losses on trade and other receivables. The impairment losses on trade and other receivables decreased by approximately RMB2.6 million or 51.0%, from approximately RMB5.1 million for the year ended 31 December 2022 to approximately RMB2.5 million for the year ended 31 December 2023. This decrease was mainly due to the decrease in aged trade and other receivables.

## **Finance costs**

Finance costs of the Group consists of interest expense and interest on lease liabilities. The finance costs increased by approximately RMB0.6 million or 37.5%, from approximately RMB1.6 million for the year ended 31 December 2022 to approximately RMB2.2 million for the year ended 31 December 2023, primarily attributable to the increase in bank borrowings.

## **Income tax**

The Group is exempted from Cayman Islands income tax. No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to the Hong Kong profits tax during the year ended 31 December 2023. The income tax expense was primarily attributable to the PRC Enterprise Income Tax. The income tax decreased by approximately RMB0.2 million or 7.4%, from approximately RMB2.7 million for the year ended 31 December 2022 to approximately RMB2.5 million for the year ended 31 December 2023. The effective tax rate was approximately 3.8% and 3.7% for the year ended 31 December 2022 and 2023 respectively. The low effective tax rates were primarily because some of the subsidiaries of the Group in the PRC were entitled to a tax-free period during the years concerned and a subsidiary of the Group in the PRC is recognised as a high-tech enterprise and enjoyed a preferential tax rate of 15% for the years ended 31 December 2023 and 2022.

## **Profit for the year**

As a result of the foregoing, the profit for the year of the Group decreased by approximately RMB2.4 million or 3.5%, from approximately RMB68.3 million for the year ended 31 December 2022 to approximately RMB65.9 million for the year ended 31 December 2023. Net profit margin of the Group decreased from approximately 13.9% for the year ended 31 December 2022 to approximately 10.5% for the year ended 31 December 2023 and such decrease was generally in line with the increase in cost of services, general and administration expenses and finance costs.

## **Liquidity and capital resources**

The business operations and expansion plans of the Group require a significant amount of capital for purchasing of advertising space from media partners, enhancing our content production capabilities, labour cost and other recurring expenses to support the expansion of our operations.

During the year ended 31 December 2023, the Group 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. As at 31 December, 2023, the Group had bank borrowings of approximately RMB57.5 million (2022: approximately RMB33.2 million) while the effective annual weighted interest rates of the bank and other loans were approximately 3.7% (2022:4.3%) per annum for the year ended 31 December 2023. The gearing ratio of the Group as at 31 December 2023, calculated based on total borrowings (including bank and other loans and lease liabilities) divided by total equity, was approximately 13.6% (2022: 10.0%).

The cash and cash equivalents of the Group increased from approximately RMB59.2 million as of 31 December 2022 to approximately RMB76.8 million as of 31 December 2023, mainly due to the increased net proceeds from bank and other loans.

### **CAPITAL EXPENDITURES**

The capital expenditures of the Group are mainly consisted of expenditures on property, plant and equipment and right-of-use assets. The Group did not have any material capital commitments as at 31 December 2022 and 2023.

### **CONTINGENT LIABILITIES**

As of 31 December 2023, the Group had no material contingent liabilities.

### **Key Financial Ratios**

	<b>As at/For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>(%)</b>	<b>(%)</b>
<b>Profitability ratios</b>		
Gross margin <sup>(1)</sup>	<b>16.6</b>	20.9
Net profit margin <sup>(2)</sup>	<b>10.5</b>	13.9
Return on equity <sup>(3)</sup>	<b>15.5</b>	18.9
Return on total assets <sup>(4)</sup>	<b>11.3</b>	13.6
	<b>2023</b>	<b>2022</b>
<b>Liquidity ratio</b>		
Current ratio <sup>(5)</sup>	<b>3.7 times</b>	3.6 times
<b>Capital adequacy ratio</b>		
Gearing ratio <sup>(6)</sup>	<b>13.6%</b>	10.0%

*Notes:*

- (1) Gross margin is calculated based on gross profit for the year divided by revenue for the respective year and multiplied by 100%.
- (2) Net profit margin is calculated based on the net profit divided by revenue for the respective year and multiplied by 100%.
- (3) Return on equity is calculated by the net profit for the year divided by the shareholders' equity as at the respective year end and multiplied by 100%.
- (4) Return on total assets is calculated by the net profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
- (5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
- (6) Gearing ratio is calculated based on the total debt divided by the total equity as at the respective year end and multiplied by 100%. For the purpose of this calculation, total debt includes bank and other loans and lease liabilities.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
<b>Revenue</b>	3	<b>628,026</b>	492,570
Costs of services		<u>(524,028)</u>	<u>(389,517)</u>
<b>Gross profit</b>		<b>103,998</b>	103,053
Other net income	4	<b>1,569</b>	4,978
Selling and marketing expenses		<b>(3,354)</b>	(4,244)
General and administrative expenses		<b>(29,020)</b>	(26,054)
Impairment losses on trade and other receivables		<u>(2,533)</u>	<u>(5,129)</u>
<b>Profit from operations</b>		<b>70,660</b>	72,604
Finance costs	5(a)	<u>(2,245)</u>	<u>(1,591)</u>
<b>Profit before taxation</b>	5	<b>68,415</b>	71,013
Income tax	6(a)	<u>(2,508)</u>	<u>(2,706)</u>
<b>Profit for the year</b>		<b><u>65,907</u></b>	<b><u>68,307</u></b>
<b>Other comprehensive income for the year (after tax)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference on the translation into presentation currency		<u>(1,989)</u>	<u>(118)</u>
Other comprehensive income for the year		<b><u>(1,989)</u></b>	<b><u>(118)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>63,918</u></b>	<b><u>68,189</u></b>

		<b>Year ended 31 December</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		<b>65,231</b>	67,290
Non-controlling interests		<b>676</b>	1,017
		<hr/>	<hr/>
Profit for the year		<b>65,907</b>	68,307
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>63,242</b>	67,172
Non-controlling interests		<b>676</b>	1,017
		<hr/>	<hr/>
Total comprehensive income for the year		<b>63,918</b>	68,189
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share</b>			
Basic and diluted ( <i>RMB</i> )	7	<b>0.17</b>	0.18
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	Year ended 31 December	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property and equipment		519	553
Right-of-use assets		837	2,790
Deferred tax assets		129	189
		<u>1,485</u>	<u>3,532</u>
<b>Current assets</b>			
Trade and other receivables	9	507,033	439,893
Restricted bank deposit		7	5
Cash and cash equivalents		76,846	59,195
		<u>583,886</u>	<u>499,093</u>
<b>Current liabilities</b>			
Trade and other payables	10	91,324	92,190
Contract liabilities		4,998	6,394
Bank and other loans	11	57,500	33,180
Lease liabilities		575	2,282
Current taxation		4,789	5,756
		<u>159,186</u>	<u>139,802</u>
<b>Net current assets</b>		<u>424,700</u>	<u>359,291</u>
<b>Total assets less current liabilities</b>		<u>426,185</u>	<u>362,823</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	572
Deferred tax liabilities		493	477
		<u>493</u>	<u>1,049</u>
<b>Net assets</b>		<u>425,692</u>	<u>361,774</u>

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Equity</b>		
Share capital	130	130
Reserves	<u>423,631</u>	<u>360,389</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>423,761</b>	<b>360,519</b>
<b>Non-controlling interests</b>	<u>1,931</u>	<u>1,255</u>
<b>Total equity</b>	<b><u>425,692</u></b>	<b><u>361,774</u></b>

## NOTES

### 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 June 2020 as an exempted company with limited liability.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. The Group is principally engaged in the provision of mobile advertising services.

Prior to the incorporation of the Company, the principal business of the Group has been operated under Beijing Lesimedia Technology Co., Ltd. (“**Beijing Lesimedia**”) and its subsidiaries. To rationalise the corporate structure in preparation of the listing (the “**Listing**”) of the shares of the Company (the “**Share(s)**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company was incorporated and underwent a corporate reorganisation (the “**Reorganisation**”). Upon completion of the Reorganisation on 21 July 2022, the Company became the holding company of the companies now comprising the Group. Beijing Lesimedia was controlled by Mr. Zhao Libing (“**Mr. Zhao**”) before and after the Reorganisation and therefore there were no change in the economic substance of the ownership and business of the Group. The Reorganisation has been accounted for using the principles of merger basis of accounting and the consolidated financial statements for the years ended 31 December 2023 and 2022 have been prepared and presented as if the current group structure had been in existence throughout the periods presented in these financial statements with the assets and liabilities recognised and measured at their historical carrying amount prior to the Reorganisation.

The Shares were listed on the Main Board of the Stock Exchange on 8 March 2024 (the “**Listing Date**”). The gross proceeds from the Listing amounted to approximately HKD137.5 million (equivalent to approximately RMB124.8 million).

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. The Group has adopted all applicable new and revised accounting standards except for any amendments that are not yet effective for the year ended 31 December 2023.

## 2.2 New standard and interpretations not yet adopted

The IASB has issued a number of amendments, which are not yet effective for the year ended 31 December 2023 and which have not been adopted by the Group:

	<b>Effective for accounting periods beginning or after</b>
Amendments to International Accounting Standard (“IAS”) 7 and IFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 21, <i>Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group has already assessed the impact of these new or amended standards. According to the assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when the abovementioned new or amended standards become effective.

## 3 REVENUE

The principal activities of the Group are providing mobile advertising solutions services and advertisement distribution services to customers. The amount of each significant category of revenue from contracts with customers within scope of IFRS 15 recognised at a point in time is as follows:

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Mobile advertising solutions services (gross method)	<b>602,109</b>	454,156
Advertisement distribution services (net method)	<b>25,917</b>	38,414
	<b>628,026</b>	492,570

The customer base of the Group includes two customers (2022: two customers) with whom transactions have exceeded 10% of the revenue of the Group. Revenues from each of these two customers amounted to approximately RMB216,190,000 and RMB76,036,000, respectively (2022: RMB80,366,000 and RMB53,880,000 for each of the two customers, respectively).

### Geographic information

The operations of the Group are mainly located in the PRC. All of the revenue of the Group is generated from its external customers in the PRC and the non-current assets of the Group are located in the PRC.

## Contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the advertising services are yet to be provided.

All contract liabilities at the beginning of each reporting period were recognised as revenue in the respective reporting period.

## 4 OTHER NET INCOME

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income	138	146
Additional deductible VAT	2,514	3,794
Others	(1,083)	1,038
	<u>1,569</u>	<u>4,978</u>

According to the Announcement of the Ministry of Finance and the State Taxation Administration ([2023] No. 1), the subsidiaries of the Group, as modern service companies, qualify for an additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023 (2022: 10%). The additional deduction is recognised as other income.

## 5 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

### (a) Finance costs

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest expense	2,153	1,434
Interest on lease liabilities	92	157
	<u>2,245</u>	<u>1,591</u>

### (b) Staff costs

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	19,588	19,891
Contributions to defined contribution retirement plan	2,598	2,657
	<u>22,186</u>	<u>22,548</u>

(c) **Other items**

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Auditors' remuneration	800	–
Depreciation of property and equipment and right-of-use asset	2,145	1,922
Impairment loss on trade and other receivables	2,533	5,129
Listing expenses	10,777	10,997
	<u>10,777</u>	<u>10,997</u>

**6 INCOME TAX EXPENSES**

(a) **Taxation in the consolidated statement of comprehensive income represents:**

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax	2,432	2,450
Deferred tax	76	256
	<u>2,508</u>	<u>2,706</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates**

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before taxation	68,415	71,013
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions	18,422	18,832
Tax effect of:		
Non-deductible expenses	479	219
Additional deductible allowance for research and development expenses	(1,373)	(1,771)
Utilisation of temporary differences previously not recognised	(32)	(509)
Statutory tax concession	(15,027)	(14,129)
Others	39	64
Actual tax expense	<u>2,508</u>	<u>2,706</u>

In accordance with the Enterprise Income Tax Law (“**Income Tax Law**”) of the PRC, the statutory income tax rate is 25%. The Group entities in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to the rules and regulations of Khorgos, one subsidiary of the Group is entitled to a tax-free period from 2020 to 2024, and another subsidiary of the Group enjoys a preferential tax rate of 15% from 2022 to 2026.

According to the Income Tax Law, a subsidiary of the Group is recognised as a high-tech enterprise and enjoyed a preferential tax rate of 15% in 2023 and 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 published by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology ([2022] No. 28), deductible rate increased from 75% to 100%.

Taxation for group entities in other tax jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The Group is in the process of making an assessment of its exposure from the enactment of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development and considers that the enactment of the rules is unlikely to have a significant impact on the consolidated financial statements.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity Shareholders of RMB65,231,000 (2022: RMB67,290,000), and the weighted average of 375,000,000 ordinary Shares (2022: 375,000,000 ordinary shares) deemed to be in issue during the year.

Pursuant to the written resolution passed by the shareholders of the Company on 21 February 2024, the Company capitalised an amount of US\$355,000 from share premium and issued 355,000,000 shares to the Company's existing shareholders on 8 March 2024, immediately prior to the listing of the Company's shares. Accordingly, the weighted average number of shares has been adjusted retrospectively from 1 January 2022 for such capitalisation issue.

Weighted average number of ordinary shares

	2023 No. of shares ( <i>'000</i> )	2022 No. of shares ( <i>'000</i> )
Shares in issue on 1 January	20,000	20,000
Effect of capitalisation issue after the end of the reporting period	<u>355,000</u>	<u>355,000</u>
Shares deemed to be in issue on 31 December	<u><u>375,000</u></u>	<u><u>375,000</u></u>

### (b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022.

## 8 DIVIDENDS

The directors of the Group did not propose the payment of any dividend during the year (2022: Nil).

## 9 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade debtors and bills receivable, net of loss allowance	155,269	157,833
Prepayments to suppliers	307,282	251,084
Deposits paid to media partners	7,792	10,024
Deductible input VAT	6,345	7,297
Listing expenses to be capitalised	6,214	3,982
Rebates due from media partners	21,226	8,001
Amounts due from shareholder	123	123
Other deposits	1,949	1,097
Others	833	452
	<u>507,033</u>	<u>439,893</u>

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Ageing analysis of trade receivables

As of the end of each reporting period, the ageing analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 6 months	114,693	143,160
6 to 12 months	30,409	11,496
12 to 24 months	10,167	3,177
	<u>155,269</u>	<u>157,833</u>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The credit terms agreed with customers are normally 0–90 days from the date of invoicing. No interest is charged on the trade receivables. During the year ended 31 December 2022, the Group factored trade receivables of RMB48.3 million to a financial institution without recourse and the receivables were derecognised in its entirety. There is no such factoring arrangement during the year ended 31 December 2023.

**(b) Prepayments to suppliers**

Prepayments to suppliers mainly represented the traffic acquisition costs prepaid for the customers of the Group.

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments to suppliers	314,884	258,713
Provision made	(7,602)	(7,629)
	<u>307,282</u>	<u>251,084</u>
Expected loss rate	2.4%	2.9%

**10 TRADE AND OTHER PAYABLES**

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables	25,969	44,478
Cost payable to media partners on behalf of customers	20,447	10,559
Other taxes and levies payables	14,962	12,916
Staff cost payables	7,073	8,529
Customers deposits	2,325	2,700
Interest payable	128	127
Listing expense payable	17,217	11,372
Amounts due to a director	9	9
Other payables	3,194	1,500
	<u>91,324</u>	<u>92,190</u>

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	19,734	29,196
3 to 6 months	6,191	12,042
6 months to 1 year	–	3,240
1 to 2 years	44	–
	<u>25,969</u>	<u>44,478</u>

## 11 BANK LOANS AND OVERDRAFTS

At 31 December 2023, the bank loans were repayable within one year and secured as follows:

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans		
– Secured	<b>10,000</b>	10,000
– Guaranteed	<b>20,000</b>	15,780
– Unsecured	<b>27,500</b>	7,400
	<b>57,500</b>	33,180

The secured bank loans were secured by the trade receivables of the Group.

The guaranteed bank loans were guaranteed by an independent guarantee company. Mr. Yu Canliang, Ms. Shu Qing, and Mr. Zhao pledged their assets to the guarantee company as counter-guarantees at 31 December 2023. Mr. Yu Canliang, Ms. Shu Qing, Mr. Zhao and Ms. Wu Lili, a former spouse of Mr. Zhao, pledged their assets to the guarantee companies as counter-guarantees at 31 December 2022.

The independent guarantee company has agreed to release all the personal guarantees on the date the Group receives the approval of the Listing from the Stock Exchange.

## **OTHER INFORMATION**

### **MAJOR CUSTOMERS AND SUPPLIERS**

Revenue attributable to the five largest customers and the largest customer of the Group accounted for approximately RMB383.4 million and RMB216.2 million, respectively, representing approximately 61.0% and 34.4%, respectively, of the total revenue of the Group for the year ended 31 December 2023. Purchases attributable to the five largest suppliers and the largest supplier of the Group accounted for approximately RMB473.4 million and RMB276.0 million, respectively, representing approximately 90.3% and 52.7%, respectively, of the costs of services of the Group for the year ended 31 December 2023.

None of the Directors, nor any of their close associates (as defined in the Listing Rules), nor any shareholders of the Company (the “**Shareholder(s)**”) (whom, to the best knowledge and belief of the Directors, own more than 5% of the total issued share capital of the Company), had material interest in the five largest customers or suppliers of the Group during the year ended 31 December 2023.

### **EMPLOYEES**

As at 31 December 2023, the Group had 118 full-time employees (2022: 113), all of whom were based in the PRC. Total staff costs were approximately RMB22.2 million (2022: RMB22.5 million). As required under PRC regulations, the Group participates in various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the prospectus of the Company dated 29 February 2024 (the “**Prospectus**”) and in the section headed “Use of Proceeds” in this announcement, the Group did not have any plan for material investments and capital assets as of the date of this announcement.

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

No significant investments were held, nor were there any material acquisitions or disposals by the Group or any of its subsidiaries, associates or joint ventures during the year ended 31 December 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, events and transactions took place subsequent to 31 December 2023 are detailed as below:

- (a) on 8 March 2024, 125,000,000 new ordinary Shares of USD0.001 each were issued at a price of HKD1.10 each upon the Listing. The proceeds of USD125,000 (equivalent to approximately HKD977,497 and RMB887,225), representing the par value, were credited to the share capital of the Company. The remaining proceeds amounted to HKD136,522,503 (equivalent to approximately RMB123,914,650). The remaining proceeds net of share issuance expenses were credited to the share premium account. Share premium of US\$355,000 was capitalised for the issuance of 355,000,000 Shares to the existing Shareholders immediately prior to the Listing; and
- (b) all counter-guarantees provided by Mr. Yu Canliang, Ms. Shu Qing and Mr. Zhao for bank loans of the Group have been released upon the Listing on 8 March 2024.

## **DIVIDEND**

The Directors did not propose the payment of any dividend for the year ended 31 December 2023.

## **CLOSURE OF THE REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting (the “AGM”), the register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

## **CORPORATE GOVERNANCE CODE**

The Shares have not been listed on the Stock Exchange as of 31 December 2023. The Company had complied with the requirements set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules since the Listing Date and up to the date of this announcement.

## **MODEL CODE FOR SECURITIES TRANSACTION**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers, as amended from time to time, (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code from the Listing Date, being 8 March 2024, to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

The Shares were not listed on the Stock Exchange as at 31 December 2023. Neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company since the Listing Date and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 21 February 2024 with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Hu Hui, Mr. Lu Yao and Ms. Zheng Hong, all of them are our independent non-executive Directors. The chairman of the Audit Committee is Mr. Hu Hui. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements and annual results of the Group for the year ended 31 December 2023.

This announcement is prepared by extracting the relevant information from the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## **SCOPE OF WORKS OF KPMG**

The figures in respect of the consolidated statement of financial position, consolidated statement of comprehensive income of the Group and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the auditor of the Company, KPMG, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by KPMG on this results announcement.

## **USE OF PROCEEDS**

The Shares were listed on the Main Board of the Stock Exchange on 8 March 2024. The gross proceeds from the Listing amounted to approximately HKD137.5 million (equivalent to approximately RMB124.8 million). The net proceeds from the Listing will be applied in the manner as set out in the Prospectus.

As at the date of this announcement, the Company has not utilised any of such net proceeds. The unutilised proceeds are deposited in the bank accounts.

## **PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.lscx.com.cn>). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

By order of the Board

**Lesi Group Limited**

**Zhao Libing**

*Chairman of the Board and Executive Director*

Beijing, the PRC, 28 March 2024

*As at the date of this announcement, the Board comprises Mr. Zhao Libing, Mr. Yu Canliang, Mr. Nie Jiang and Ms. Shu Qing as executive Directors, Ms. Chang Qing as non-executive Director, and Mr. Lu Yao, Ms. Zheng Hong and Mr. Hu Hui as independent non-executive Directors.*