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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 unaudited consolidated interim results of the Group for the six months ended 30 June 2024 together with the comparative figures for the six months ended 30 June 2023. The interim results for the six months ended 30 June 2024 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

	Six months ended 30 June		Change
	2024	2023	
	RMB'000	RMB'000	
Revenue	300,519	319,329	-5.9%
Gross profit	42,998	53,195	-19.2%
Profit before income tax	29,710	30,737	-3.3%
Profit for the period attributable to equity shareholders of the Company	28,274	29,433	-3.9%

BUSINESS REVIEW AND OUTLOOK

In the first half year of 2024, under the challenging macroeconomic environment, we were committed to improving our growth and ensuring the quality of business development through refined management. 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.

In the face of ambiguous external environment and intensified competition in the 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 and prepare for the opportunities brought about by economic recovery. Our total gross billing decreased by approximately 3.4% from approximately RMB450.3 million for the six months ended 30 June 2023 to approximately RMB435.2 million for the six months ended 30 June 2024 and our total revenue decreased by approximately 5.9% from approximately RMB319.3 million for the six months ended 30 June 2023 to approximately RMB300.5 million for the six months ended 30 June 2024. Our net profit decreased by approximately 3.7% from approximately RMB29.7 million for the six months ended 30 June 2023 to approximately RMB28.6 million for the six months ended 30 June 2024.

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 30 June 2024, we have established business relationship with five media publishers, which are prominent technology companies in the People's Republic of China ("PRC"), and we can distribute mobile ads directly on 29 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 six months ended 30 June 2024, we served 114 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 decreased by approximately 6.5% from approximately RMB 305.8 million for the six months ended 30 June 2023 to approximately RMB 286.0 million for the six months ended 30 June 2024. Revenue generated from mobile advertising solutions services accounted for approximately 95.2% of our total revenue for the six months ended 30 June 2024.

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 increased by approximately 7.4% from approximately RMB13.5 million for the six months ended 30 June 2023 to approximately RMB14.5 million for the six months ended 30 June 2024.

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 six months ended 30 June 2024, we are a distributor of five media publishers, which are prominent technology companies in the PRC, and we can distribute mobile ads directly on 29 media platforms as at 30 June 2024 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 unaudited consolidated financial results of the Group for the six months ended 30 June 2024, together with the unaudited comparative figures for the six months ended 30 June 2023.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	300,519	319,329
Cost of services	(257,521)	(266,134)
Gross profit	42,998	53,195
Other net income	3,741	589
Selling and marketing expenses	(1,300)	(1,457)
General and administrative expenses	(10,817)	(13,675)
Impairment losses on trade and other receivables	(3,520)	(7,033)
Profit from operations	31,102	31,619
Finance costs	(1,392)	(882)
Profit before taxation	29,710	30,737
Income tax	(1,150)	(1,009)
Profit for the period	28,560	29,728
Profit for the period attributable to:		
Equity shareholders of the Company	28,274	29,433
Non-controlling interests	286	295
Profit for the period	28,560	29,728

Revenue

Revenue of the Group decreased by approximately RMB18.8 million or 5.9%, from approximately RMB319.3 million for the six months ended 30 June 2023 to approximately RMB300.5 million for the six months ended 30 June 2024. This decrease was mainly due to the decrease in demand for the mobile advertising solutions services from customers in the face of the uncertainties in the overall business environment.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mobile advertising solutions services (gross method)	285,989	305,781
Advertisement distribution services (net method)	14,530	13,548
	<u>300,519</u>	<u>319,329</u>

Revenue generated from mobile advertising solutions services

Revenue generated from mobile advertising solutions services decreased by approximately RMB19.8 million or 6.5%, from approximately RMB305.8 million for the six months ended 30 June 2023 to approximately RMB286.0 million for the six months ended 30 June 2024. This decrease was due to the decrease in demand from customers for our mobile advertising solutions services under the uncertainties in the overall business environment.

Revenue generated from advertisement distribution services

Revenue generated from advertisement distribution services increased by approximately RMB1.0 million or 7.4%, from approximately RMB13.5 million for the six months ended 30 June 2023 to approximately RMB14.5 million for the six months ended 30 June 2024. Such increase was mainly attributable to the increase in the number of customers for our advertisement distribution services.

Cost of services

Cost of services of the Group primarily consists of traffic acquisition costs, employee benefit expenses and video production costs. The cost of services decreased by approximately RMB8.6 million or 3.2%, from approximately RMB266.1 million for the six months ended 30 June 2023 to approximately RMB257.5 million for the six months ended 30 June 2024. Such decrease was mainly due to the decrease in traffic acquisition costs.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately RMB10.2 million or 19.2%, from approximately RMB53.2 million for the six months ended 30 June 2023 to approximately RMB43.0 million for the six months ended 30 June 2024, which was mainly due to the decrease in gross profit generated from provision of mobile advertising solutions services. The gross profit margin decreased from approximately 16.7% for the six months ended 30 June 2023 to approximately 14.3% for the six months ended 30 June 2024 mainly due to the decrease in rebates from media partners 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.

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 increased significantly by approximately RMB3.1 million or 516.7%, from approximately RMB0.6 million for the six months ended 30 June 2023 to approximately RMB3.7 million for the six months ended 30 June 2024 mainly due to the increase in interest income and government subsidies for successful listing, partially offset 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 RMB0.2 million or 13.3%, from approximately RMB1.5 million for the six months ended 30 June 2023 to approximately RMB1.3 million for the six months ended 30 June 2024 mainly due to the decrease in travelling expenses and 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 decreased by approximately RMB2.9 million or 21.2%, from approximately RMB13.7 million for the six months ended 30 June 2023 to approximately RMB10.8 million for the six months ended 30 June 2024. Such decrease was primarily attributed to the decrease in professional fees and research and development expenses then partially offset the increase in depreciation and travelling expenses. The decrease in research and development expenses mainly due to the optimisation of research and development department personnel.

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 significantly by approximately RMB3.5 million or 50.0%, from approximately RMB7.0 million for the six months ended 30 June 2023 to approximately RMB3.5 million for the six months ended 30 June 2024. 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 significantly by approximately RMB0.5 million or 55.6%, from approximately RMB0.9 million for the six months ended 30 June 2023 to approximately RMB1.4 million for the six months ended 30 June 2024, 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 six months ended 30 June 2024. The income tax expense was primarily attributable to the PRC Enterprise Income Tax. The income tax increased by approximately RMB0.2 million or 20%, from approximately RMB1.0 million for the six months ended 30 June 2023 to approximately RMB1.2 million for the six months ended 30 June 2024. The effective tax rate was approximately 3.3% and 3.9% for the six months ended 30 June 2023 and 2024, 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 period 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 six months ended 30 June 2024 and 2023.

Profit for the period

As a result of the foregoing, the profit for the period of the Group decreased by approximately RMB1.1 million or 3.7%, from approximately RMB29.7 million for the six months ended 30 June 2023 to approximately RMB28.6 million for the six months ended 30 June 2024. Net profit margin of the Group increased from approximately 9.3% for the six months ended 30 June 2023 to approximately 9.5% for the six months ended 30 June 2024 and such increase was generally due to the decrease in general and administration expenses and impairment losses on trade and other receivables and partially offset the decrease in gross profit.

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 six months ended 30 June 2024, the Group principally financed our working capital and other liquidity requirements mainly through a combination of cash generated from our operating activities, bank and other loans and IPO proceeds. As at 30 June 2024, the Group had bank borrowings of approximately RMB55.3 million (as at 31 December 2023: approximately RMB57.5 million) while the effective annual weighted interest rates of the bank and other loans were approximately 4.8% (six months ended 30 June 2023:5.2%) per annum for the six months ended 30 June 2024. The gearing ratio of the Group as at 30 June 2024, calculated based on total borrowings (including bank and other loans and lease liabilities) divided by total equity, was approximately 10.5% (as at 31 December 2023: 13.6%).

The cash and cash equivalents of the Group increased from approximately RMB76.8 million as of 31 December 2023 to approximately RMB94.1 million as of 30 June 2024, mainly due to the increased net proceeds from IPO proceeds.

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 2023 and 30 June 2024.

CONTINGENT LIABILITIES

As of 30 June 2024, the Group had no material contingent liabilities.

Key Financial Ratios

	Six months ended 30 June	
	2024	2023
	(%)	(%)
Profitability ratios		
Gross margin ⁽¹⁾	14.3	16.7
Net profit margin ⁽²⁾	9.5	9.3
	As of	As of
	30 June	31 December
	2024	2023
	(%)	(%)
Return on equity ⁽³⁾	10.1	15.5
Return on total assets ⁽⁴⁾	7.0	11.3
Liquidity ratio		
Current ratio ⁽⁵⁾	3.3 times	3.7 times
Capital adequacy ratio		
Gearing ratio ⁽⁶⁾	10.5%	13.6%

Notes:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

(Expressed in RMB)

		Six months ended 30 June	
		2024	2023
	Note	RMB'000	RMB'000
Revenue	3	300,519	319,329
Cost of services		<u>(257,521)</u>	<u>(266,134)</u>
Gross profit		42,998	53,195
Other net income	4	3,741	589
Selling and marketing expenses		(1,300)	(1,457)
General and administrative expenses		(10,817)	(13,675)
Impairment losses on trade and other receivables	5	<u>(3,520)</u>	<u>(7,033)</u>
Profit from operations		31,102	31,619
Finance costs	5	<u>(1,392)</u>	<u>(882)</u>
Profit before taxation	5	29,710	30,737
Income tax	6	<u>(1,150)</u>	<u>(1,009)</u>
Profit for the period		<u>28,560</u>	<u>29,728</u>
Other comprehensive income for the period (after tax)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference on the translation into presentation currency		<u>2,837</u>	<u>(209)</u>
Other comprehensive income for the period		<u>2,837</u>	<u>(209)</u>
Total comprehensive income for the period		<u>31,397</u>	<u>29,519</u>

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
Profit for the period attributable to:			
Equity shareholders of the Company		28,274	29,433
Non-controlling interests		286	295
		<hr/>	<hr/>
Profit for the period		28,560	29,728
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:			
Equity shareholders of the Company		31,111	29,224
Non-controlling interests		286	295
		<hr/>	<hr/>
Total comprehensive income for the period		31,397	29,519
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic and diluted (<i>RMB per share</i>)	7	0.06	0.08
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in RMB)

		As of 30 June 2024 RMB'000	As of 31 December 2023 RMB'000
	<i>Note</i>		
Non-current assets			
Property and equipment		450	519
Right-of-use assets	8	4,761	837
Deferred tax assets		527	129
		<u>5,738</u>	<u>1,485</u>
Current assets			
Trade and other receivables	9	713,694	507,033
Restricted bank deposit		–	7
Cash and cash equivalents		94,102	76,846
		<u>807,796</u>	<u>583,886</u>
Current liabilities			
Trade and other payables	10	176,413	91,324
Contract liabilities		5,339	4,998
Bank and other loans		55,300	57,500
Lease liabilities		2,697	575
Current taxation		4,689	4,789
		<u>244,438</u>	<u>159,186</u>
Net current assets		<u>563,358</u>	<u>424,700</u>
Total assets less current liabilities		<u>569,096</u>	<u>426,185</u>
Non-current liabilities			
Lease liabilities		1,658	–
Deferred tax liabilities		515	493
		<u>2,173</u>	<u>493</u>
Net assets		<u>566,923</u>	<u>425,692</u>

		As of 30 June 2024 RMB'000	As of 31 December 2023 RMB'000
Capital and reserves			
Share capital	11	3,537	130
Reserves		<u>561,169</u>	<u>423,631</u>
Total equity attributable to equity shareholders of the Company		564,706	423,761
Non-controlling interests		<u>2,217</u>	<u>1,931</u>
Total equity		<u><u>566,923</u></u>	<u><u>425,692</u></u>

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. The Group is principally engaged in the provision of mobile advertising services.

Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 March 2024 (the “**Listing**”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“**IASB**”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2.2 Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current (“**2020 amendments**”)
- Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants (“**2022 amendments**”)
- Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback
- Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements

None of these developments have had a material effect on how the Group’s results and financial position for the current period have been prepared or presented in this interim results announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mobile advertising solutions services (gross method)	285,989	305,781
Advertisement distribution services (net method)	14,530	13,548
	<u>300,519</u>	<u>319,329</u>

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.

4 OTHER NET INCOME

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	1,580	119
Additional deductible VAT	–	1,018
Government grant	2,144	–
Others	17	(548)
	<u>3,741</u>	<u>589</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense	1,341	823
Interest on lease liabilities	51	59
	<u>1,392</u>	<u>882</u>

(b) **Other items**

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Depreciation charge	1,342	1,063
– owned property and equipment	94	94
– right-of-use asset	1,248	969
Impairment losses on trade and other receivables	3,520	7,033
Listing expenses	2,008	4,826

6 INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax	1,526	1,229
Deferred tax	(376)	(220)
	1,150	1,009

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 Khorghos, 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 2024 and 2023. In addition, an additional 100% 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.

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 the Group’s 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 ordinary equity shareholders of the Company of RMB28,274,000 (six months ended 30 June 2023: RMB29,433,000) and the weighted average of 453,729,000 ordinary shares (2023: 375,000,000 shares, after adjusting for the capitalisation issue in 2024) in issue during the interim period.

(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 six months ended 30 June 2024 and 2023.

8 RIGHT-OF-USE ASSETS

The right-of-use assets represented the leased office premises and staff quarters. During the six months ended 30 June 2024, the Group entered into four lease agreements, and recognised the additions to right-of-use assets of RMB5.2 million.

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of revenue recognition and net of loss allowance, is as follows:

	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Within 6 months	252,685	114,693
6 to 12 months	87,010	30,409
12 to 24 months	16,309	10,167
Trade receivables, net of loss allowance	356,004	155,269
Prepayments to suppliers	342,378	307,282
Rebates due from media partners	1,530	21,226
Deposits paid to media partners	3,450	7,792
Deductible input VAT	6,260	6,345
Listing expenses to be capitalised	–	6,214
Other deposits	1,987	1,949
Others	2,085	956
	713,694	507,033

Trade debtors and bills receivable are due within 90 days from the date of invoicing. No interests are charged on the trade receivables.

During the six months ended 30 June 2024, the Group factored trade receivables of RMB21.0 million to a financial institution without recourse and the receivables were derecognised in its entirety. There are no such factoring arrangements during the six months ended 30 June 2023.

10 TRADE AND OTHER PAYABLES

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

	As at 30 June 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Within 3 months	69,706	19,734
3 to 6 months	48,208	6,191
6 months to 1 year	–	–
1 to 2 years	–	44
2 to 3 years	44	–
	<hr/>	<hr/>
Trade payables	117,958	25,969
Cost payable to media partners on behalf of customers	28,966	20,447
Other taxes and levies payables	17,160	14,962
Staff cost payables	4,806	7,073
Customers deposits	2,300	2,325
Listing expense payable	2,522	17,217
Other payables	2,701	3,331
	<hr/>	<hr/>
	176,413	91,324
	<hr/> <hr/>	<hr/> <hr/>

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors of the Group did not propose the payment of any dividend during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(b) Share capital

	Six months ended 30 June 2024		Year ended 31 December 2023	
	No. of shares '000	RMB'000	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	20,000	130	20,000	130
Issuance of ordinary shares upon initial public offering	125,000	887	–	–
Capitalisation issue	355,000	2,520	–	–
	<u>500,000</u>	<u>3,537</u>	<u>20,000</u>	<u>130</u>
At 30 June/31 December	<u>500,000</u>	<u>3,537</u>	<u>20,000</u>	<u>130</u>

On 8 March 2024, 125,000,000 new ordinary shares of USD0.001 each were issued at a price of HKD1.1 each upon the Listing. The proceeds of USD125,000 (equivalent to approximately RMB887,000), representing the par value of the new shares, were credited to the Company's share capital account. The remaining proceeds of HKD136,523,000 (equivalent to approximately RMB123,915,000), net of Listing expenses of RMB14,968,000, were credited to the share premium account. Share premium of USD\$355,000 (equivalent to RMB2,520,000) was capitalized for the issuance of 355,000,000 shares to the shareholders of the Company (the "Shareholder(s)") immediately prior to the Listing.

OTHER INFORMATION

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the five largest customers and the largest customer of the Group accounted for approximately RMB156.7 million and RMB38.1 million, respectively, representing approximately 52.1% and 12.7%, respectively, of the total revenue of the Group for the six months ended 30 June 2024. Purchases attributable to the five largest suppliers and the largest supplier of the Group accounted for approximately RMB227.2 million and RMB138.2 million, respectively, representing approximately 88.2% and 53.7%, respectively, of the cost of services of the Group for the six months ended 30 June 2024.

None of the Directors, nor any of their close associates (as defined in the Listing Rules), nor any Shareholders (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 six months ended 30 June 2024.

EMPLOYEES

As at 30 June 2024, the Group had 109 full-time employees (as at 31 December 2023: 118), all of whom were based in the PRC. Total staff costs for the six months ended 30 June 2024 were approximately RMB11.1 million (six months ended 30 June 2023: approximately RMB10.8 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.

USE OF THE NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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 after deducting underwriting fees and commissions and other related Listing expenses amounted to approximately HKD52.0 million (equivalent to approximately RMB47.2 million) (the “**Net Proceeds**”).

As of 30 June 2024, the utilisation of the Net Proceeds is detailed as follows:

Future Plans	% of the Net Proceeds	HKD million	Expected timeline of fully utilise the use of Net Proceeds	Utilised Net Proceeds during the six months ended 30 June 2024 <i>HKD million</i>	Unutilised Net Proceeds as of 30 June 2024 <i>HKD million</i>
To expand our mobile advertising business in the PRC	40.0	34.1	By 30 June 2025	5.4	28.7
To expand our short video production capacities	20.0	17.1	By 30 June 2025	0.2	16.9
To enhance and upgrade the functions of our self-developed platform	20.0	17.1	By 30 June 2025	–	17.1
To explore business collaboration and merger and acquisition opportunities with well-established companies	10.0	8.6	By 30 June 2025	–	8.6
General working capital	10.0	8.6	By 31 December 2024	6.1	2.5
Total	<u>100.0</u>	<u>85.5</u>		<u>11.7</u>	<u>73.8</u>

During the period from the date of Listing (i.e. 8 March 2024) and up to 30 June 2024, the Net Proceeds had been used according to the purposes as stated in the prospectus of the Company dated 29 February 2024 (the “**Prospectus**”), and there was no material change or delay in the use of the Net Proceeds.

The Group will continue to utilise the Net Proceeds from the initial public offering as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in 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 six months ended 30 June 2024.

EVENTS AFTER THE REPORTING PERIOD

No material events happened subsequent to the Report Period and up to the date of this announcement.

INTERIM DIVIDEND

The Directors did not propose the payment of any dividend for the six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company had complied with the requirements set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2024.

The Group will continue to review and monitor its corporate governance practices to ensure the compliance with the Corporate Governance Code.

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 during the six months ended 30 June 2024.

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

Neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities (including treasury shares) of the Company during the six months ended 30 June 2024 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 code provisions set out in Part 2 to 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 unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2024 and this announcement.

This announcement is prepared by extracting the relevant information from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim financial report for the six months ended 30 June 2024 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose review report is included in the interim report to be sent to shareholders. The Audit Committee has, together with the management, reviewed the accounting policies adopted by the Group. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial information during the interim reporting period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lscx.com.cn). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be 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, 30 August 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.