



Lesi Group Limited 樂思集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2540

2024 INTERIM REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhao Libing (*Chairman of the Board*)
Mr. Yu Canliang (*Chief executive officer*)
Ms. Shu Qing
Mr. Nie Jiang

NON-EXECUTIVE DIRECTOR

Ms. Chang Qing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lu Yao
Ms. Zheng Hong
Mr. Hu Hui

JOINT COMPANY SECRETARIES

Mr. Lee Cheuk Wang
Mr. Nie Jiang

AUDIT COMMITTEE

Mr. Hu Hui (*Chairman*)
Mr. Lu Yao
Ms. Zheng Hong

REMUNERATION COMMITTEE

Mr. Lu Yao (*Chairman*)
Mr. Hu Hui
Ms. Zheng Hong

NOMINATION COMMITTEE

Mr. Zhao Libing (*Chairman*)
Mr. Lu Yao
Ms. Zheng Hong
Mr. Hu Hui

AUTHORISED REPRESENTATIVES

Mr. Lee Cheuk Wang
Mr. Nie Jiang

AUDITORS

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with
the Accounting and Financial Reporting Council
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COMPLIANCE ADVISER

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Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

25/F, Block B
China Railway Construction Plaza
Chaoyang District
Beijing, PRC

CORPORATE INFORMATION**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

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PRINCIPAL BANKERS

Beijing Bank
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Beijing, PRC

China Merchants Bank
Wangjing Branch
Ground Floor, Yard 1
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Chaoyang District
Beijing, PRC

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN
THE CAYMAN ISLANDS**

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

STOCK CODE

2540

COMPANY WEBSITE

www.lscx.com.cn

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	Change
	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%

CHAIRMAN'S STATEMENT

Dear Shareholders,

I, on behalf of the board (the “**Board**”) of directors (the “**Director(s)**”) of Lesi Group Limited (the “**Company**”), hereby present the interim report of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024.

RESULTS

For the six months ended 30 June 2024, our Group recorded revenue of approximately RMB300.5 million, representing a period-on-period decrease of 5.9% from approximately RMB319.3 million for the six months ended 30 June 2023. Our net profit decreased by approximately 3.7% to approximately RMB28.6 million for the six months ended 30 June 2024 from approximately RMB29.7 million for the six months ended 30 June 2023. Basic earnings per share for the six months ended 30 June 2024 was approximately RMB0.06 as compared to approximately RMB0.08 for the six months ended 30 June 2023. 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 People's Republic of China (“**PRC**”).

Our Group has adopted a prudent financial management approach towards its treasury policies to ensure healthy and safe key financial indicators.

BUSINESS REVIEW

The domestic economy in 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.

In the face of ambiguous external environment and intensified competition in the industry, our 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. For the six months ended 30 June 2024, 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. Meanwhile, as at 30 June 2024, we have established business relationship with five media publishers, which are prominent technology companies in the 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.

CHAIRMAN'S STATEMENT

OUTLOOK

Going forward, our Group will continue to expand our media resources to maintain and enhance our competitiveness in the industry. 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. We will actively increase customer acquisition in the rapidly growing field of mobile advertising and strengthen the depth of business cooperation with customers. For example, we will continue to invest in the rapidly growing short drama industry and attempt to deepen business cooperation between our short video production capabilities and key customers in the short drama industry.

Our Group will continue to further expand our short video production capability. Leveraging on our content production capacities, we can establish business relationship with top media publishers and can successfully expand our network for ad distribution. We also plan to continue to enhance and upgrade our self-development platform through investment and innovation. Through this platform, we can design and formulate more effective mobile advertising solutions to better serve our customers and achieve advertising goals. We actively test new technologies in the workflow of short video production and have integrated them into mainstream AI artificial intelligence ("AI") generation platforms both domestically and internationally. We have conducted business tests on content generation, including AI generation of creativity, script writing, text, images, short videos, etc. We will actively strengthen our attention and investment in AI generated content in the future, improve the existing short video production business process with AI technology, and explore opportunities for commercialisation of AI generated content.

We further propose to seek opportunities to cooperate with or invest in well-established companies which will 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.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our gratitude to all shareholders, business partners and customers for their ongoing support and trust to our Group, as well as to our Board members, management team and staff for their dedication and contributions over the year. In the second half year of 2024, we will continue to expand our business in order to create greater value for our shareholders.

Zhao Libing

Chairman of the Board and Executive Director

Hong Kong, 30 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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

Our 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

- *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, our Group can provide mobile advertising solutions services to our customers, from project planning, idea generation, scripts writing, video filming and editing, post-production of video to distribution to mobile ads in video format on media platforms, subject to our customers' needs and budget plans. The offer of video production enriches our service offerings and enables our customers to outsource the whole marketing campaign to us, and thereby increase their reliance on our Group and enhance our profitability. Our inhouse 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets forth the unaudited condensed 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 RMB'000	2023 RMB'000
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

MANAGEMENT DISCUSSION AND ANALYSIS

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 periods indicated are set forth in the table below:

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 through a combination of cash generated from our operating activities, bank and other loans and Listing 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. All of such bank borrowings are denominated in RMB and repayable on demand or within one year. As at 30 June 2024, RMB10.0 million (As at 31 December 2023: RMB10.0 million) our bank loans were variable rate loans while the rest of the borrowings were fixed rate loans. Fluctuation of interest rate will not have significant impact to the Group. 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 at 31 December 2023 to approximately RMB94.1 million as at 30 June 2024, mainly due to the increased net proceeds from bank and other loans and Listing proceeds. The Group's cash and bank balances are mainly denominated in RMB or HK\$. We generally deposit our excess cash in interest bearing bank accounts. Our principal uses of cash have been for funding working capital, purchase of property, plant and equipment and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using fund from a combination of internally generated cash, external borrowings and other funds raised from the capital markets from time to time.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for working capital and capital expenditure needs. For the six months ended 30 June 2024, we did not experience any difficulties in settling our obligations in the normal course of business, which would have had a material impact to our business, financial condition or results of operations.

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

Foreign exchange exposures

Foreign exchange risk refers to the risk of loss caused by the changes in foreign exchange rates. The operations of the Group are mainly located in the PRC with most transactions denominated and settled in Renminbi.

During the six months ended 30 June 2024, no financial instrument was used for hedging purposes, and we did not commit to any financial instruments to hedge our exposure to foreign exchange risk, as the expected foreign exchange risk is not significant. The Directors and senior management of the Company will continue to closely monitor the foreign exchange exposure and take measures when necessary to ensure that the foreign exchange risk is within the controllable range.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the six months ended 30 June 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT HELD

As at 30 June 2024, the Group did not hold any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, save as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

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 30 June 2024 (%)	As of 31 December 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 year 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 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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

Shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 March 2024 (the “**Listing**”). 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**”). The Net Proceeds of approximately HKD85.5 million will be applied in the manner as set out below:

Future Plans	% of the Net Proceeds	HKD million	Expected timeline of fully utilise the use of Net Proceeds	Utilised Net Proceeds from the date of Listing to 30 June 2024 and as of 30 June 2024 HKD million	Unutilised Net Proceeds as of 30 June 2024 HKD million
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	100.0	85.5		11.7	73.8

During the period from the Listing Date 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

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 RMB38.2 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.

Different suppliers/customers under the same holding group or company were grouped together for the purpose of calculating the contribution from top five customers/suppliers.

None of the Directors, nor any of their close associates (as defined in the Listing Rules), nor any Shareholders (which 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.

INFORMATION ON 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 PRC. Total staff costs were approximately RMB11.1 million for the six months ended 30 June 2024, as compared to approximately RMB10.8 million for the six months ended 30 June 2023. As required under PRC regulations, we participate in various employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

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

During the six months ended 30 June 2024, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities (including treasury Shares) of the Company since the Listing Date and up to the date of this report.

EQUITY FUND RAISING ACTIVITIES OR SALE OF TREASURY SHARES FOR CASH AND USE OF PROCEEDS

For the six months ended 30 June 2024, other than the Listing, the Company had not carried out any equity fund raising activities or sale of treasury Shares for cash (other than under a share scheme that complies with Chapter 17 of the Listing Rules).

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "**Share Option Scheme**") was approved for adoption pursuant to a written resolution of the Shareholders passed on 21 February 2024 (the "**Adoption Date**") for the purpose of providing incentive and/or reward to eligible person for their contribution to and continuing effort to promote the interests of the Group. As at the date of this report, the remaining life of the Share Option Scheme is approximately ten years.

A summary of the principal terms of the Share Option Scheme is set out below:

i. Eligible persons

The Board may, at its absolute discretion, offer to grant options to the following persons:

- (i) any director (including independent non-executive director) and employee (whether full time or part time) of the Company or the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Employee Participant**");
- (ii) any director and employee of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Related Entity Participant**"); or

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (iii) any person providing services to the Group on a continuing and recurring basis in its ordinary and usual course of business of the Group, the grant of share options (the “**Share Option(s)**”) to whom is in the interests of the long-term growth of the Group as determined by the Board, namely any person providing advisory services and/or consultancy services to the Group after stepping down from an employment or director position with the Group and any person providing, among others, advisory services, consultancy services, sales and marketing services, technology services and/or administrative services to the Group as consultants, independent contractors or agents where the continuity and frequency of their services are akin to those of employees but, for the avoidance of doubt, excluding (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions of the Company or its Subsidiaries, and (ii) professional service providers such as the auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity (the “**Service Provider**”).

ii. Maximum number of Shares available for issue

The total number of Shares which may be issued in respect of all options and awards to be granted under the Share Option Scheme and any other scheme(s) of our Company must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 50,000,000 Shares) (the “**General Scheme Limit**”) or the relevant date of approval of the refreshment of the General Scheme Limit.

Within the General Scheme Limit, the total number of Shares which may be issued in respect of all options and awards to be granted to the Service Providers under the Share Option Scheme and any other schemes shall not in aggregate exceed 1% of the number of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange or the relevant date of approval of the refreshment of the Service Provider Sublimit (the “**Service Provider Sublimit**”).

The General Scheme Limit and the Service Provider Sublimit may be refreshed by ordinary resolution of the Shareholders in general meeting every three years from the date of the Shareholders’ approval for the last refreshment (or the Adoption Date).

As at 30 June 2024, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme and therefore the total number of Shares available for grant under the General Scheme Limit was 50,000,000 Shares, representing 10% of the issued share capital of the Company, and the total number of Shares available for grant under the Service Provider Sublimit was 5,000,000 Shares, representing 1% of the issued share capital of the Company.

As no options had ever been granted under the Share Option Scheme, the number of shares that may be issued in respect of options granted thereunder during period under review represents 0% of the weighted average number of shares of the relevant class in issue (excluding treasury shares) for the period concerned.

iii. Life of the Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Adoption Date, following which period no further grant of Share Options shall be offered but in all other respects the Share Option Scheme shall continue in full force and effect to the extent necessary to give effect to the exercise of any Share Option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Any Share Options granted prior to such termination, including Share Options exercised or outstanding under the Share Option Scheme, shall continue to be valid and exercisable in accordance with the Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

iv. Exercise price

The exercise price of any particular Share Option granted under the Share Option Scheme shall be a price determined by the Board and notified to an Eligible Person, and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an offer is made to an Eligible Person, which must be a Business Day (the "Offer Date"); (ii) the average closing price of the Shares as stated in Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date. Where a Share Option is to be granted, the date of the Board meeting at which the grant was proposed shall be taken to be the Offer Date for such Share Option.

v. Consideration

Consideration of HK\$1.00 is required to be paid by the Eligible Person for the grant under the Share Option Scheme and such payment must be made within 21 days from the date on which the Share Option is granted.

vi. Vesting period and exercise period

The Share Options to be granted under the Share Option Scheme shall be subject to a minimum vesting period of 12 months during which unvested Share Options shall not become vested and exercisable. Any shorter vesting period in respect of Share Options granted to Employees Participants must be approved by the Board and/or the Remuneration Committee (for Share Options granted to the Directors or senior managers) at the Directors' discretion, provided that such Grantee(s) has been specifically identified by the Board before granting such approval. A Share Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the Offer Date but shall end in any event not later than 10 years from the Offer Date subject to the provisions for early termination thereof.

CHANGE IN DIRECTOR INFORMATION

Since the date of the 2023 annual report of the Company and up to the date of this report, there is no change of directors' information required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Listing Date, the interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in our Company

Name	Nature of interest	Interests in Shares ⁽¹⁾	Approximate percentage shareholding
Mr. Zhao ⁽²⁾	Interest in a controlled corporation	356,250,000 (L)	71.25%
Mr. Yu ⁽³⁾	Interest in a controlled corporation	356,250,000 (L)	71.25%
Ms. Shu ⁽⁴⁾	Interest of spouse	356,250,000 (L)	71.25%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- ⁽¹⁾ The letter “L” denotes the person’s long position in our Shares.
- ⁽²⁾ Ka Lok Holdings Limited (“**Ka Lok BVI**”) is owned as to 57.77% by Quartet Yutong Holdings Limited (“**Quartet Yutong BVI**”), which is in turn solely owned by Mr. Zhao. By virtue of the SFO, each of Quartet Yutong BVI and Mr. Zhao is deemed to be interested in the Shares in which Ka Lok BVI is interested.
- ⁽³⁾ Ka Lok BVI is owned as to 35.55% by Remit Sheng Holdings Limited (“**Remit Sheng BVI**”), which is in turn solely owned by Mr. Yu. By virtue of the SFO, each of Remit Sheng BVI and Mr. Yu is deemed to be interested in the Shares in which Ka Lok BVI is interested.
- ⁽⁴⁾ Ms. Shu is the spouse of Mr. Yu. By virtue of the SFO, Ms. Shu is deemed to be interested in all the Shares held by Mr. Yu.

Interests in associated corporations of our Company

Name of Associated corporation	Name of Director	Nature of interest	Number of shares interested	Approximately percentage of shareholding
Ka Lok BVI	Mr. Zhao ⁽¹⁾	Interest of a controlled corporation	5,777	57.77%
	Mr. Yu ⁽²⁾	Interest of a controlled Corporation	3,555	35.55%
	Ms. Shu ⁽³⁾	Interest of a controlled corporation	667	6.67%
	Mr. Nie ⁽⁴⁾	Interest of a controlled corporation	1	0.01%

Notes:

- ⁽¹⁾ Mr. Zhao holds the entire equity interest in Quartet Yutong BVI, which holds 5,777 shares of Ka Lok BVI.
- ⁽²⁾ Mr. Yu holds the entire equity interest in Remit Sheng BVI, which holds 3,555 shares of Ka Lok BVI.
- ⁽³⁾ Ms. Shu holds the entire equity interest in Jing Sing Holdings Limited (“**Jing Sing BVI**”), which holds 667 shares of Ka Lok BVI.
- ⁽⁴⁾ Mr. Nie holds the entire equity interest in Jiang Oofy Holdings Limited (“**Jiang Oofy BVI**”), which holds 1 share of Ka Lok BVI.

Save as disclosed above, as of the Listing Date, none of the Directors or the chief executive of our Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of the Listing Date, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest held	Number of Shares ⁽¹⁾	Approximate percentage of shareholding held in the Company
Ka Lok BVI ⁽²⁾	Beneficial owner	356,250,000 (L)	71.25%
Quartet Yutong BVI ⁽³⁾	Interest in a controlled corporation	356,250,000 (L)	71.25%
Remit Sheng BVI ⁽⁴⁾	Interest in a controlled corporation	356,250,000 (L)	71.25%

Notes:

⁽¹⁾ The letter "L" denotes the person's long position in our Shares.

⁽²⁾ Ka Lok BVI is owned as to (i) 57.77% by Quartet Yutong BVI, which is solely owned by Mr. Zhao, (ii) 35.55% by Remit Sheng BVI, which is solely owned by Mr. Yu, (iii) 6.67% by Jing Sing BVI, which is solely owned by Ms. Shu, the spouse of Mr. Yu, and (iv) 0.01% by Jiang Oofy BVI, which is solely owned by Mr. Nie. By virtue of the SFO, (i) each of Quartet Yutong BVI and Mr. Zhao and (ii) each of Remit Sheng BVI and Mr. Yu are deemed to be interested in all the Shares held by Ka Lok BVI.

⁽³⁾ Ka Lok BVI is owned as to 57.77% by Quartet Yutong BVI, which is in turn solely owned by Mr. Zhao. By virtue of the SFO, each of Quartet Yutong BVI and Mr. Zhao is deemed to be interested in the Shares in which Ka Lok BVI is interested.

⁽⁴⁾ Ka Lok BVI is owned as to 35.55% by Remit Sheng BVI, which is in turn solely owned by Mr. Yu. By virtue of the SFO, each of Remit Sheng BVI and Mr. Yu is deemed to be interested in the Shares in which Ka Lok BVI is interested.

Save as disclosed above, as of the Listing Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

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 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 at page 22 of this interim report. The Audit Committee has reviewed this report and the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2024 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of financial reporting.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to our Company and within knowledge of the Directors, our Company has maintained a sufficient public float as required under the Listing Rules the six months ended 30 June 2024 and up to the date of this report.

SUBSEQUENT EVENTS

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

PUBLICATION

This report is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.lscx.com.cn) respectively.

REVIEW REPORT OF THE AUDITORS



Review report to the board of directors of Lesi Group Limited

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 23 to 36 which comprises the consolidated statement of financial position of Lesi Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as of 30 June 2024 and the related consolidated statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

30 August 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	300,519	319,329
Cost of services		(257,521)	(266,134)
Gross profit		42,998	53,195
Other net income	4	3,741	589
Selling and marketing expenses		(1,300)	(1,457)
General and administration expenses		(10,817)	(13,675)
Impairment loss on trade and other receivables	5	(3,520)	(7,033)
Profit from operations		31,102	31,619
Finance costs	5	(1,392)	(882)
Profit before taxation	5	29,710	30,737
Income tax	6	(1,150)	(1,009)
Profit for the period		28,560	29,728
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		2,837	(209)
Other comprehensive income for the period		2,837	(209)
Total comprehensive income for the period		31,397	29,519
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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Total comprehensive income attributable to:			
	Equity shareholders of the company	31,111	29,224
	Non-controlling interests	286	295
Total comprehensive income for the period		31,397	29,519
Earnings per share			
	Basic and diluted (RMB)	0.06	0.08

Note

7

The notes on pages 29 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited
(Expressed in RMB)

	<i>Note</i>	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		450	519
Right-of-use assets	8	4,761	837
Deferred tax assets		527	129
		5,738	1,485
Current assets			
Trade and other receivables	9	713,694	507,033
Restricted bank deposit		–	7
Cash and cash equivalents		94,102	76,846
		807,796	583,886
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
		244,438	159,186
		563,358	424,700
Net current assets			
Total assets less current liabilities		569,096	426,185
Non-current liabilities			
Lease liabilities		1,658	–
Deferred tax liabilities		515	493
		2,173	493
NET ASSETS		566,923	425,692

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited
(Expressed in RMB)

	<i>Note</i>	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
CAPITAL AND RESERVES			
Share capital	11	3,537	130
Reserves		561,169	423,631
Total equity attributable to equity shareholders of the Company		564,706	423,761
Non-controlling interests		2,217	1,931
TOTAL EQUITY		566,923	425,692

Approved and authorised for issue by the board of directors on 30 August 2024.

Zhao Libing
Director

Shu Qing
Director

The notes on pages 29 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

		Attributable to equity shareholders of the company						Non-	Total
		Share capital	Share premium	Capital reserve	Exchange reserve	Retained profits	Subtotal	controlling interests	equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2023	130	1,243	23,512	(117)	335,751	360,519	1,255	361,774
	Changes in equity for the six months ended 30 June 2023:								
	Profit for the period	-	-	-	-	29,433	29,433	295	29,728
	Other comprehensive income	-	-	-	(209)	-	(209)	-	(209)
	Balance at 30 June 2023	130	1,243	23,512	(326)	365,184	389,743	1,550	391,293
	Balance at 1 January 2024	130	1,243	23,512	(2,106)	400,982	423,761	1,931	425,692
	Changes in equity for the six months ended 30 June 2024:								
	Issuance of new shares	11	887	108,947	-	-	109,834	-	109,834
	Capitalisation issue	11	2,520	(2,520)	-	-	-	-	-
	Profit for the period		-	-	-	28,274	28,274	286	28,560
	Other comprehensive income		-	-	2,837	-	2,837	-	2,837
	Balance at 30 June 2024	3,537	107,670	23,512	731	429,256	564,706	2,217	566,923

The notes on pages 29 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Operating activities		
Net cash used in operations	(90,494)	(32,812)
Tax paid	(1,625)	(1,230)
Net cash used in operating activities	(92,119)	(34,042)
Investing activities		
Payment for the purchase of property and equipment	(24)	(61)
Net cash used in investing activities	(24)	(61)
Financing activities		
Proceeds from the initial public offering	124,802	–
Proceeds from bank and other loans	33,504	11,900
Repayment of bank and other loans	(35,704)	(13,700)
Capital element of lease rentals paid	(1,392)	(1,113)
Interest paid	(1,391)	(761)
Listing expenses paid	(10,919)	(839)
Net cash generated from/(used in) financing activities	108,900	(4,513)
Net increase/(decrease) in cash and cash equivalents	16,757	(38,616)
Cash and cash equivalents at 1 January	76,846	59,195
Effect of foreign exchanges rates changes	499	2
Cash and cash equivalents at 30 June	94,102	20,581

The notes on pages 29 to 36 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2024.

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.

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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The interim financial report 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 (“HKICPA”). KPMG’s independent review report to the Board of Directors is included on page 22.

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 report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 Revenue and segment reporting

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

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

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

4 Other net income

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest income	1,580	119
Additional deductible value added tax ("VAT")	–	1,018
Government grant	2,144	–
Others	17	(548)
	3,741	589

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
(a) Finance costs		
Interest expense	1,341	823
Interest on lease liabilities	51	59
	1,392	882
(b) Other items		
Depreciation charge	1,342	1,063
– owned property, plant and equipment	94	94
– right-of-use assets	1,248	969
Impairment losses on trade and other receivables	3,520	7,033
Listing expenses	2,008	4,826

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 Income tax

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2024 RMB'000	2023 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 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 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 the 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 4 lease agreements, and recognised the additions to right-of-use assets of RMB5.2 million.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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:

	At 30 June 2024 RMB'000	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
Over 24 months	–	–
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 value added tax	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 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
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	–
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
	176,413	91,324

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 (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	–	–
At 30 June/31 December	500,000	3,537	20,000	130

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 of the shares of the Company on the Stock Exchange of Hong Kong Limited. 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 capitalised for the issuance of 355,000,000 shares to the Company's shareholders immediately prior to the listing of the Company.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

12 Material related party transactions**(a) Key management personnel remuneration**

Key management personnel consists of directors of the Company. Their remuneration for the six months ended 30 June 2024 amounted to RMB1.4 million (six months ended 30 June 2023: RMB1.1 million).

(b) Other related party balances and transactions**(i) Transactions with related parties:**

The Group leases two offices from Ms. Shu Qing and Mr. Yu Canliang at nil consideration during the six months ended 30 June 2024 and 2023.

(ii) Balances with related parties:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Amounts due from/(to) a director	1,141	(9)
Amounts due from a shareholder	22	123

All balances with related parties are unsecured, interest-free and repayable on demand.

As at 31 December 2023, the guaranteed bank loans of RMB20,000,000 were guaranteed by an independent guarantee company. Certain directors of the Company pledged their assets to the guarantee company as counter-guarantees. All counter-guarantees provided by directors in respect of bank loans of the Group of RMB20,000,000 have been released upon the listing of the Company's shares on the Stock Exchange on 8 March 2024.

13 Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at the end of the reporting period due to the short-term maturities of these instruments.