

SUMMARY

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

OVERVIEW

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

Over years of our operations since 2015, we have accumulated extensive experience in the mobile advertising industry and have served customers from different industries in the PRC. Our customers include direct advertisers and advertising agents. During the early years of our development in the mobile advertising industry, we mainly provided advertisement distribution services to our customers. Subsequently, we expanded more additional services, such as production of mobile ads in video format and ad optimisation services as standalone services, and developed into our mobile advertising solutions services to meet our customers’ needs. During the Track Record Period, our customers included fast-growing technology companies, well-established social networking software developers and leading content app developers in the PRC. For the year ended 31 December 2022, we served more than 290 customers from various industries, covering technology and internet services, financial services and gaming industries in the PRC. Our 5 largest customers during the Track Record Period included members of companies listed on recognised stock exchanges.

According to the iResearch Report, the mobile advertising market is fragmented and competitive with the 5 largest players accounting for approximately 9.6% of market share in terms of gross billing in 2022. We are one of the service providers in the mobile advertising industry in China with a market share of approximately 0.1% in terms of gross billing in 2022.

We believe that a diversified network for ad distribution is crucial to our continuous success and development in the mobile advertising industry. Thus, we are committed to developing and establishing solid business relationship with reputable media partners to ensure a smooth and consistent supply of ad inventories for our placement of mobile ads. Our media partners include media publishers (being operators of media platforms) and media agents of other media publishers. As at 31 December 2022, we have established business relationship with 5 media publishers, which are the prominent technology companies in the PRC, and we can distribute mobile ads directly on more than 20 media platforms operated by these media publishers. These media platforms include the leading short video platforms, search engine platforms, news and information contents platforms, mobile browsers, app stores and social media platforms. With an extensive network for ad distribution, we can place mobile ads to a wide spectrum of mobile users with different interests.

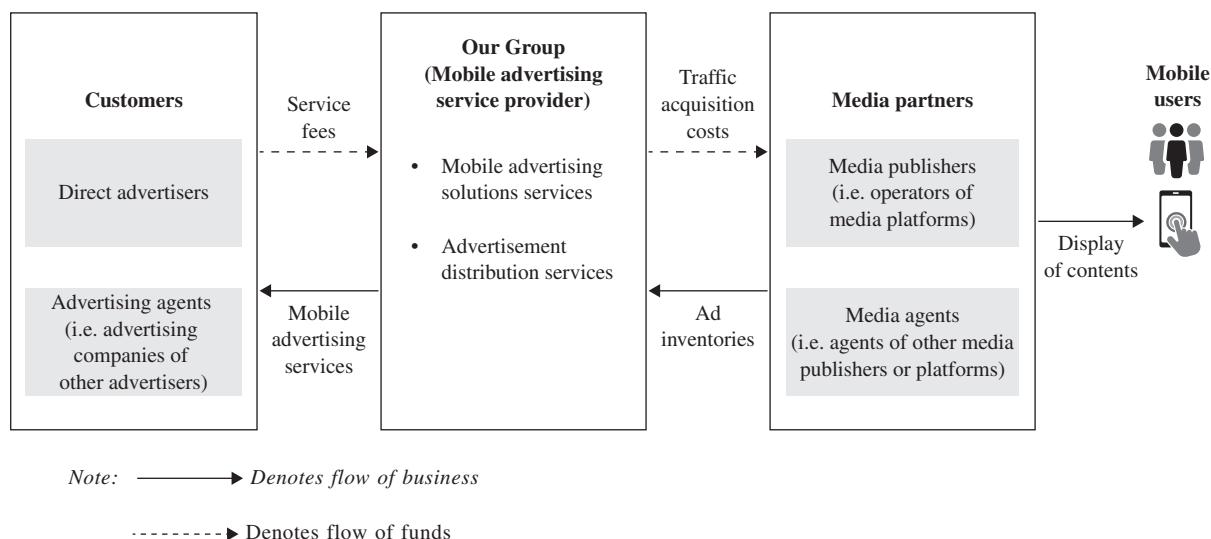
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Our Directors believe that an extensive network for ad distribution is essential to our business; however, our capacities to produce and optimise mobile ads are critical to our business growth. Thus, we focus our resources to develop and expand our capacities to provide value-added services to customers and enhance our competitiveness in the mobile advertising industry. We also consider that our in-house content production capacities is a driver to our business growth. We have our in-house production team to produce ad contents to mobile users and produced mobile ads in still image format after we commenced our mobile advertising business. In light of the increase of internet speed and the change of reading and browsing habits of mobile users, we extended the offer of our ad formats from still images and texts to short videos. We commenced production of mobile ads in video format in 2018 and set up a video production base with diverse shooting scenarios of different themes in Beijing in 2020. In September 2022, we relocated our video production base from Beijing to Changsha to expand our production capacities and facilitate our growth and development. We are currently able to produce ad contents and ad creatives in text, image and/or video formats that meet the marketing goals of our customers. Leveraging on our competent content production capacities, we are awarded as “The Most Creative Agency (最具創意代理)” by one of our major media publishers, namely Alibaba Group, in 2021 and we also received the “Creative Marketing Case Award (創意營銷案例獎)” and the “Content Creation Award (內容創造獎)” from our major media publishers in 2022.

According to the iResearch Report, the mobile advertising industry in the PRC is fragmented and competitive and advertisers are in greater need of value-added services from mobile marketing solutions providers, such as creative planning of ad campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness. During the Track Record Period, we continued to expand the portfolio of our value-added services to meet customers’ needs and to enhance our competitiveness in the market taking into consideration the intense competition in the mobile advertising market and the relatively small size of our Group as compared to other competitors. Therefore, our Directors are of the view that it is important for our Group to strengthen and enhance our value-added services to maintain and develop business relationship with existing and new customers.

BUSINESS MODEL

Set out below is our simplified business model for our mobile advertising services ^(Note):



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

Our mobile advertising solutions services

Our mobile advertising solutions services include mobile marketing planning, production of ad creatives, traffic acquisition, ad placements, ad optimisation, ad campaign management and ad distribution. We are capable to provide comprehensive services as well as one or more of these services, such as production of ad creatives, ad optimisation and ad distribution, to customers to meet their different needs. We recognise revenue from mobile advertising solutions services on gross basis. Our revenue from mobile advertising solutions services accounted for approximately 90.9%, 92.1% and 92.2% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively. The cost of our mobile advertising solutions services primarily include traffic acquisition costs, video production costs and employee benefit expenses. For the years ended 31 December 2020, 2021 and 2022, our traffic acquisition costs accounted for approximately 97.0%, 96.7% and 96.9% of our total cost of services for the corresponding periods, respectively. For the years ended 31 December 2020, 2021 and 2022, our gross profit margin of our mobile advertising solutions services was approximately 12.4%, 13.1% and 14.2%, respectively. See “Financial information — Key components of our results of operations — Cost of services” and “Financial information — Key components of our results of operations — Gross profit and gross profit margin” in this document.

Our advertisement distribution services

Our advertisement distribution services include acquisition of ad inventories and ad distribution, being standalone services. We recognise revenue from advertisement distribution services on net basis. Our revenue from advertisement distribution services accounted for approximately 9.1%, 7.9% and 7.8% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively. The cost of our advertisement distribution services comprises of traffic acquisition costs. The gross margin of our gross billing reconciled on a net basis under advertisement distribution services, calculated as gross billing net cost of services divided by gross billing, was approximately 12.0%, 10.3% and 10.2% for the years ended 31 December 2020, 2021 and 2022, respectively. See “Financial information — Key components of our results of operations — Revenue” in this document.

Our mobile advertising solutions services include advertisement distribution services as part of our services. Our costs for the mobile advertising solutions services and advertisement distribution services primarily consist of traffic acquisition cost for acquisition of ad inventories from media partners. Based on the above, our Directors are of the view that the risk profiles on provisions of mobile advertising solutions services and advertisement distribution services are substantially the same.

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The following table sets forth a breakdown of our revenue by service type on gross and net basis during the Track Record Period:

	For the year ended 31 December								
	2020		2021		2022				
	No. of		No. of		No. of				
	customers	RMB'000	%	customers	RMB'000	%	customers	RMB'000	%
Mobile advertising solutions services (on gross basis) ^(1, 3 & 4)	35	343,438	90.9	52	433,250	92.1	181	454,156	92.2
Advertisement distribution services (on net basis) ^(2 & 5)	203	34,229	9.1	189	36,930	7.9	114	38,414	7.8
Total	238	377,667	100.0	241	470,180	100.0	295	492,570	100.0

Notes:

1. It included our revenue generated from the provision of comprehensive mobile advertising solutions services, which include the provisions of ad creatives and ad optimisation as standalone services. We have a role as principal in these transactions and our revenues from provision of these services are recognised on gross basis.
2. It included our revenue generated from the provision of ad distribution services as standalone services. We have a role as agent in these transactions and our revenue from these services is recognised on net basis.
3. Customers which engage us for our mobile advertising solutions services may engage us for our advertisement distribution services. The number of customers for our mobile advertising solutions services includes the customers which engage us for both of our mobile advertising solutions services and advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022, there were 4, 0 and 0 customers which engaged us for both of our mobile advertising solutions services and advertisement distribution services, respectively. These customers are not included in the number of customers for our advertisement distribution services.
4. During the Track Record Period, there were migration of customers for our advertisement distribution services to mobile advertising solutions services leveraging on the success of services and under the continual effort of our management. For the years ended 31 December 2020, 2021 and 2022, there were 13, 4 and 89 customers for our mobile advertising solutions services, which were our customers for our advertisement distribution services, respectively.
5. It included the number of customers which engaged us for advertisement distribution services. It does not include the number of customers which engaged us for both of our mobile advertising solutions services and advertisement distribution services.

During the Track Record Period, we tended to serve customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency as our management believes that these customers generally have stronger advertising needs for promotion of their products and services and are generally sizeable companies with better credibility for more efficient management of our credit risk.

Increase in the number of customers for our mobile advertising solutions services

During the Track Record Period, there was an increase in the number of customers for our mobile advertising solutions services. For the years ended 31 December 2020, 2021 and 2022, we had 35, 52 and 181 customers for our mobile advertising solutions services, respectively. Such increase was mainly attributable to the enhanced efforts of our management to expand our mobile advertising solutions services in light of the increase in demand for value-added services from customers. Moreover, the increase in the number of customers for our mobile advertising solutions services during the Track

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Record Period was attributable to our intention to diversify and expand our customer base for our mobile advertising solutions services after we have accumulated extensive experience in provision of advertising solutions services to customers which are sizeable companies. For the years ended 31 December 2021 and 2022, the significant increase in the number of customers for our mobile advertising solutions services was mainly attributable to the migration of 89 customers for our advertisement distribution services to mobile advertising solutions services leveraging on the success of our services and under the continual effort of our management.

According to the iResearch Report, advertisers are in greater need of value-added services from mobile marketing solutions providers, such as creative planning of ad campaign, production of ad creatives and management of campaign performance, to achieve better marketing effectiveness. To meet customers’ needs and to enhance our competitiveness in the market, we continued to expand the portfolio of our value-added services as our mobile advertising solutions services during the Track Record Period. Moreover, according to the iResearch Report, barriers to entry into the mobile advertising industry include content production and advertising creative ability and service and in-feed advertising optimisation capacities. Therefore, our Directors are of the view that we shall enhance our capacities on production of ad creatives and contents of mobile ads and shall expand the portfolio of our value-added services on a continuous basis in order to maintain and strengthen our market position and enhance our market presence. Based on the above, we focused more of our resources on provision of mobile advertising solutions services during the Track Record Period and observed an increase in the number of customers for our mobile advertising solutions services. Going forward, we will continue to focus on mobile advertising solutions services and will optimise, enhance and improve the portfolio of our mobile advertising solutions services to meet the demand of customers and to maintain and enhance our competitiveness in the market. See “Business — Strategies and future plans” in this document.

Decrease in the number of customers for our advertisement distribution services

During the Track Record Period, there was a decrease in the number of customers for our advertisement distribution services. For the years ended 31 December 2020, 2021 and 2022, we had 203, 189 and 114 customers for our advertisement distribution services, respectively. Such decrease was mainly attributable to the focus of our resources to serve customers with higher marketing budgets and demand for traffic volume to enhance our operational efficiency. For the years ended 31 December 2021 and 2022, the significant decrease in customers for our advertisement distribution services was mainly attributable to our effort to serve customers with higher marketing budgets and traffic volume to reduce our management cost. According to the iResearch Report, in order to meet evolving needs of advertisers, mobile advertising service providers with a focus on in-feed advertising tend to provide full cycle advertising services, including traffic acquisition, production of ad creatives, precise targeting and data analysis, rather than acting as an intermediary, which only provides advertisement distribution services. During the Track Record Period, we focused more of our resources on provision of mobile advertising solutions services. As a result, there was a significant decrease in the number of customers for our advertisement distribution services.

Decrease in the average revenue from mobile advertising solutions services per customer

For the years ended 31 December 2020, 2021 and 2022, the average revenue from mobile advertising solutions services per customer, which is measured by our total revenue generated from our mobile advertising solutions services divided by the number of customers for our mobile advertising

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solutions services, amounted to approximately RMB9.8 million, RMB8.3 million and RMB2.5 million, respectively. The decrease in the average revenue per mobile advertising solutions services customer was mainly attributable to the continual expansion of our customer base resulting in an increase in the number of customers for our mobile advertising solutions services.

Increase in the average gross billing from advertisement distribution services per customer

For the years ended 31 December 2020, 2021 and 2022, the gross billing recorded from our provision of advertisement distribution services amounted to approximately RMB285.9 million, RMB357.9 million and RMB377.7 million, respectively, while the average gross billing from advertisement distribution services per customer, which is measured by our total gross billing from our advertisement distribution services divided by the number of customers for our advertisement distribution services, amounted to approximately RMB1.4 million, RMB1.9 million and RMB3.3 million, respectively. The significant increase in average gross billing for the year ended 31 December 2022 was mainly attributable to the significant decrease in the number of customers as our management focused our resources on customers with higher marketing budgets so as to enhance our operational efficiency.

For more details, see “Business — Our Customers” in this document.

Revenue by industry verticals of customers

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

	For the year ended 31 December					
	2020		2021		2022	
	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾	RMB'000	% ⁽⁴⁾
Technology and internet services ⁽¹⁾	295,907	78.4	305,779	65.0	272,982	55.4
Gaming	874	0.2	3,893	0.8	16,724	3.4
Financial services	6,955	1.9	4,684	1.0	3,586	0.7
Publishing media	136	0.0	99	0.0	13,721	2.8
E-commerce	582	0.2	6,376	1.4	18,855	3.8
Medical health	—	0.0	7,374	1.6	6,465	1.3
Travel	171	0.0	1,162	0.2	27,568	5.6
Energy	—	0.0	6,114	1.3	9,681	2.0
Others ⁽²⁾	153	0.0	3,279	0.7	936	0.2
Advertising agents ⁽³⁾	72,889	19.3	131,420	28.0	122,052	24.8
	<u>377,667</u>	<u>100.0</u>	<u>470,180</u>	<u>100.0</u>	<u>492,570</u>	<u>100.0</u>

Notes:

- (1) Include technology companies which provide a wide range of products and services including app store, social platforms, search engines, video sharing and browsing app, news app, etc.
- (2) Others primarily include education, real estate, business services, sports and food and beverage industries, etc.
- (3) These advertising agents engaged us for advertising services on behalf of their advertisers, which are from various industries.
- (4) Subject to rounding error, certain figures were marked as “0.0%”.

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For the years ended 31 December 2020 and 2021, our revenue generated from the technology and internet services industry remained stable and amounted to approximately RMB295.9 million and RMB305.8 million, respectively. Our revenue generated from the technology and internet services industry decreased from approximately RMB305.8 million for the year ended 31 December 2021 to approximately RMB273.0 million for the year ended 31 December 2022. Such decrease was mainly attributable to the decrease in advertising budgets of our customers from the technology and internet services industry.

Our revenue generated from the gaming industry amounted to approximately RMB0.9 million for the year ended 31 December 2020, which, as far as our Directors are aware after having made due and careful enquiries, was mainly attributable to the change of advertising plans of gaming companies after the promulgation of new laws and regulations by the PRC government, such as the Notice on Workings to Prevent Minors from Indulging in Online Games (《關於防止未成年人沉迷網絡遊戲工作的通知》) and the Notice on Further Strict Administration to Prevent Minors from Indulging in Online Games (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), which aimed at limiting the duration of time spent by minors on online games. Our customers’ businesses may be affected by implementation of new laws and regulations in their industries, which may affect their business plans, marketing plans and advertising needs or budgets and their transactions with us. See “Risk factors — Any adverse impact on the business of our Group’s customers may affect our business” in this document. To the best of our Directors’ knowledge and belief, save as disclosed herein, there is no other material adverse impact to our Group’s business and our customers’ business in view of the recent developments in the industries which they operate. With the gradual adaption to the new government laws and regulations, our revenue generated from the gaming industry improved to approximately RMB3.9 million and RMB16.7 million for the years ended 31 December 2021 and 2022, respectively.

PRICING MODELS

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

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

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

	Gross method (i.e. when we act as a principal)	Net method (i.e. when we act as an agent)
Services	Mobile advertising solutions services (i.e. mobile marketing planning, traffic acquisition, ad production, ad placing, optimising mobile ads, ad publication or distribution and/or overall management of ad campaigns).	Advertisement distribution services (i.e. traffic acquisition and ad distribution services).
Key roles and responsibilities	Upon receiving ad campaign orders from customers, we generally provide mobile marketing planning, produce ad creatives, set campaign parameters, bid for ad inventories, acquire ad inventories from media partners and/or upload mobile ads to media platforms. Subsequently, we monitor, collect, analyse ad performance data and optimise campaign performance.	Upon receiving ad campaign orders from customers, such as advertising agents, we acquire ad inventories from media partners for the customers and/or upload customers’ mobile ads to media platforms.
Rebates earned from media partners	Rebates from media partners are calculated primarily based on the gross spending of our total traffic acquisition costs. Such rebates are recorded as reduction of cost of services under gross method.	Rebates from media partners are calculated primarily based on the gross spending of our total traffic acquisition costs. Such rebates are recorded as an increase of revenue under net method.
Rebates offered to customers	We may offer rebates to our customers, generally according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under gross method.	We may offer rebates to our customers, generally according to the gross amount of traffic acquired by our customers. Such rebates would set off our service fees under net method.

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

For the years ended 31 December 2020, 2021 and 2022, our adjusted gross profit with rebates from suppliers and to customers being excluded was approximately RMB45.7 million, RMB47.2 million and RMB60.3 million, respectively, while our net profit with rebates excluded was approximately RMB18.6 million, RMB11.0 million and RMB25.5 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our Company would make accruals for the rebates based on estimation and make adjustment when the media partners confirmed the rebates. For details, see note 3(b)(i) of the accountants’ report set out in Appendix I to this document.

CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers were primarily consisted of advertisers and advertising agents. Advertisers are direct advertisers in different industries with advertising needs to promote their brands, products and/or services on media platforms. Advertising agents are advertising companies which engage our Group on behalf of their advertisers. For the years ended 31 December 2020, 2021 and 2022, our 5 largest customers collectively accounted for approximately 75.4%, 67.3% and 48.0% of our total revenue, respectively, and revenue from our largest customer accounted for approximately 31.0%, 24.0% and 16.3% of our total revenue, respectively. We have maintained close and strategic business relationships with our 5 largest customers during the Track Record Period from 2 to 6 years as at the Latest Practicable Date, all of which are Independent Third Parties. See “Business — Customers” in this document for further details.

During the Track Record Period, our major suppliers were mainly our media partners, which comprised of (i) media publishers, which are operators of media platforms, such as search engines, news and information content platforms, short video platforms, mobile browsers, app stores and social media platforms, and (ii) media agents of other media publishers. For the years ended 31 December 2020, 2021 and 2022, we are a distributor of 3, 5 and 5 media publishers, respectively. These media publishers are the prominent technology and internet companies in the PRC. Our 5 largest suppliers aggregately accounted for approximately 92.5%, 93.9% and 70.5% of our cost of services for the years ended 31 December 2020, 2021 and 2022, respectively, and cost of services from our largest supplier accounted for approximately 33.8%, 32.7% and 19.4% of our cost of services for the same years, respectively. During the Track Record Period, we rely on the few media partners for acquisition of ad inventories. For

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further details, see “Suppliers — Suppliers concentration” in this section. We have maintained business relationships with our 5 largest suppliers during the Track Record Period for 2 to 8 years as at the Latest Practicable Date, save for Supplier D, all of which are Independent Third Parties. See “Business — Suppliers” in this document for further details.

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

Overlapping of customers and suppliers

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

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we have established relationship with top media partners which operate the leading media platforms in the PRC; (ii) we are capable to provide tailored and all-rounded advertising solutions supported by our in-house content production team; (iii) we have established business relationship with sizeable customers; (iv) we have a dedicated and stable management team since our operations in 2015 which has been essential in driving the growth of our business.

STRATEGIES AND FUTURE PLANS

Our goal is to maintain and strengthen our position in the mobile advertising industry in the PRC and to further expand our market presence. To achieve this goal, we plan to pursue the following business strategies: (i) expansion of our customer base and our network for ad distribution; (ii) expansion of our short video production capacities; (iii) expansion of functions of our self-developed platform; and (iv) expansion of business collaboration and merger and acquisition opportunities with well-established companies.

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RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk factors” of this document. Before you decide to invest in our Shares, you are invited to read that section in its entirety carefully. Some of the major risks we face are summarised as follows: (i) we rely on our 5 largest suppliers, particularly Supplier A, Alibaba Group and Supplier C, to acquire ad inventories for placement of mobile ads during the Track Record Period; (ii) we may fail to retain, deepen or expand our relationships with the existing media partners or attract new media partners which are crucial to our business operation and future development; (iii) if our media partners transact with advertisers directly, we may be exposed to the risk of disintermediation; (iv) we generated more than half of our revenue from our 5 largest customers for the years ended 31 December 2020 and 2021; (v) the competition of the mobile advertising industry is fragmented and competitive; (vi) we may face certain risks in collecting our trade receivables and delay of our customers confirming the used ad inventory volume with us, which in turn leads to further delay in collection of our fees and lengthen the trade receivable turnover days; (vii) we may make prepayments to suppliers before arranging the bidding of ad inventories which may impose a substantial cash requirements for funding our services and expose our Group to credit and liquidity risks as well as working capital insufficiency due to the mismatch in timing between the prepayment for the acquisition of ad inventories from media partners and the receipt of payment from our customers and we may not be able to recover our prepayments in a timely manner from our media partners; (viii) any decrease in the rebates offered by our media partners may have adverse effect on our business and results of our operations; (ix) any adverse impact on the business of our Group’s customers may affect our business; and (x) we had net cash used in operating activities for the year ended 31 December 2020.

OUR CONTROLLING SHAREHOLDERS AND THE [REDACTED] INVESTOR

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

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KEY FINANCIAL INFORMATION

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

Key consolidated statements of comprehensive income

	For the year ended 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	377,667	470,180	492,570
Cost of services	(300,810)	(376,489)	(389,517)
Gross profit	76,857	93,691	103,053
Profit before income tax	51,674	59,669	71,013
Profit for the year	49,773	57,488	68,307

For the years ended 31 December 2020, 2021 and 2022, we recorded revenue of approximately RMB377.7 million, RMB470.2 million and RMB492.6 million, respectively, and net profit of approximately RMB49.8 million, RMB57.5 million and RMB68.3 million, respectively. The revenue for the year ended 31 December 2021 increased mainly due to the increase in demand from customers of both mobile advertising solutions services and advertisement distribution services. The increase in revenue for the year ended 31 December 2022 was primarily due to the increase in demand for our mobile advertising solutions services. For the years ended 31 December 2020, 2021 and 2022, our net profits gradually increased and is generally in line with the increase in revenue and gross profit. For the years ended 31 December 2020, 2021 and 2022, we recorded gross profit of approximately RMB76.9 million, RMB93.7 million and RMB103.1 million, respectively, with gross profit margin of approximately 20.4%, 19.9% and 20.9%, respectively. For the years ended 31 December 2020, 2021 and 2022, our gross profit gradually increased mainly due to increase in gross profit generated from provision of mobile advertising solutions services.

Key consolidated statements of financial position

	At 31 December		
	2020	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets	1,483	4,921	3,532
Current assets	381,581	459,922	499,093
Current liabilities	146,650	168,492	139,802
Net current assets	234,931	291,430	359,291
Non-current liabilities	357	2,807	1,049
Net assets	236,057	293,544	361,774

SUMMARY

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

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

Key consolidated cash flow statements

	For the year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(14,307)	43,245	14,524
Net cash generated from/(used in) investing activities	388	(155)	(24)
Net cash generated from/(used in) financing activities	<u>3,804</u>	<u>(13,077)</u>	<u>(11,207)</u>
Net (decrease)/increase in cash and cash equivalents	(10,115)	30,013	3,293
Cash and cash equivalents at the beginning of the year	36,016	25,896	55,908
Effect of foreign exchange rate changes	<u>(5)</u>	<u>(1)</u>	<u>(6)</u>
Cash and cash equivalents at the end of the year	<u>25,896</u>	<u>55,908</u>	<u>59,195</u>

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

SUMMARY

Key financial ratios

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

	As at/For the year ended 31 December		
	2020	2021	2022
Current ratio	2.6	2.7	3.6
Gearing ratio	20.5%	14.8%	10.0%
Net debt to equity ratio	9.5%	Net cash	Net cash
Interest coverage ratio (times)	18.1	19.5	45.6
Return on total assets	13.0%	12.4%	13.6
Return on equity	21.1%	19.6%	18.9
Net profit margin	13.2%	12.2%	13.9%

See “Financial information — Summary of financial ratios” in this document for further details.

OUR INDUSTRY AND COMPETITIVE LANDSCAPE

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

China’s mobile advertising industry experienced rapid growth and have achieved solid growth in the market size in recent years. To enrich advertisers’ needs, it is expected that mobile advertising service providers will tend to expand their business and provide one-stop mobile advertising solutions services, including traffic acquisition, ad contents creation and production, ad placement and data analysis. Additionally, mobile advertising service providers with established relationship with media partners, strong service and production capacities and sufficient capital reserve capabilities are expected to maintain their market position and are in better position to capture development opportunities in the foreseeable future.

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

SUMMARY

[REDACTED] STATISTICS

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

	Based on [REDACTED] of HK\$[REDACTED] per Share	Based on [REDACTED] of HK\$[REDACTED] per Share
Market capitalisation of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) unaudited pro forma adjusted net tangible assets per Share was calculated after adjustments as specified in “Appendix II — Unaudited pro forma financial information” to this document.

[REDACTED]

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

[REDACTED]	% of the [REDACTED]	HKD million	(equivalent to RMB million)
Expansion of our mobile advertising business	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing our video production capacities	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade of our self-developed platform	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition and merger opportunities	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

For further details, see “Future plans and [REDACTED]” in this document.

SUMMARY

DIVIDEND

During the Track Record Period, we did not declare or pay any dividends to our Shareholders. After completion of the [REDACTED], our Shareholders will be entitled to receive dividends we declare. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, our development pipeline, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. For further details, see “Summary of the constitution of our Company and the Cayman Islands company law” in Appendix III to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Dividends declared in the past may not be indicative of our future dividend policy. Our Board has the absolute discretion to recommend any dividend. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

IMPACT OF OUTBREAK OF COVID-19 ON OUR BUSINESS

According to the iResearch Report, the outbreak of COVID-19 has not had any material adverse impact on the mobile advertising market in China, given that (i) demand for mobile advertising services from customers in certain sectors increased sharply; (ii) customers have been reallocating their marketing budgets from offline to online, due to restricted offline marketing activities during the COVID-19 outbreak; and (iii) the first quarter of each calendar year is generally the off-peak season for online short video marketing.

As at the Latest Practicable Date, we were closely monitoring the development of COVID-19 in China. The zero-COVID policy was modified at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022 in China. However, there remains significant uncertainties associated with COVID-19 pandemic, including the severity and duration of the pandemic and further actions that may be taken by governmental authorities around the world to contain the virus, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See “Risk factors — Risks related to our business and Industry — We face risks related to natural disasters and health epidemics” and “Risk factors — Risks relating to doing business in the PRC — The PRC’s economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business” in this document.

In respect of the resurgence of COVID-19 pandemic started in or around February 2022, our Directors consider that such outbreak has not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date because (i) our Group has implemented measures to ensure that our staff can work remotely from home and keep physical and social distance while at office, (ii) there is no substantial disruptions to our business operations due to the resurgence, and (iii) our Group did not experience any significant reduction in the demand for our mobile advertising services up to the Latest Practicable Date. To the best of our Directors’ knowledge, we did not observe any material decrease in our customers’ advertising budgets due to change of their budgets as a result of the COVID-19 outbreak.

SUMMARY

[REDACTED]

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

RECENT DEVELOPMENT

Regulatory update

On 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulation**”) was proposed by the CAC for public comments. The Draft Regulation provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review. However, the Draft Regulation provides no further explanation or interpretation for “affects or may affect national security”, and there is substantial uncertainty as to its eventual introduction and entry. As advised by our PRC Legal Adviser, the exact scope of “affects or may affect national security” under the Draft Regulation and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. Our Directors, as advised by our PRC Legal Adviser, are of the view that our Group has taken measures to ensure that it will be able to comply with the Draft Regulation, if implemented in its current form, in all material respects on the basis that: (i) our Group has implemented and has been continuously improving a comprehensive set of internal policies, procedures, and measures to ensure the data security; (ii) as of the Latest Practicable Date, our Group had not been subject to any investigation, inquiry, or sanction in relation to cybersecurity or data security or any cybersecurity review from the CAC, or any other relevant government authority; and (iii) during the Track Record Period and up to the Latest Practicable Date, our Group had not collected or stored any mobile users’ personal information through its platform. For details regarding our measures in ensuring the information security, see “Business — Risk management and internal control — Information technology risk management” in this document.

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The CSRC promulgated the Overseas Listing Trial Measures and 5 relevant guidelines on 17 February 2023, which took effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedures with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within 3 working days thereafter. As advised by our PRC Legal Adviser, the [REDACTED], together with the [REDACTED], is an indirect overseas offering under the Overseas Listing Trial Measures and we are required to complete the filing procedures with CSRC and report relevant information with respect to the [REDACTED] after the submission of our [REDACTED] to the Stock Exchange. See “Regulatory overview — Overseas listing”, “Risk factors — Risks relating to doing business in the PRC — The approval, filing or other administration requirements of CSRC, the CAC, or other PRC governmental authorities may be required in connection with the [REDACTED] and future securities under PRC laws, regulations or policies” and “History — PRC regulatory requirements — Overseas listing” in this document.

On 28 December 2021, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**New CAC Measures**”), which came into effect on 15 February 2022 and would repeal the previous version promulgated on 13 April 2020. According to the New CAC Measures, critical information infrastructure operators purchasing network products and services and network platform operators carrying out data processing activities that affect or may affect national security shall conduct a cybersecurity review. Network platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. Our PRC Legal Adviser has consulted, on behalf of the Company, with China Cybersecurity Review Technology and Certification Center (“**CCRC**”), which is delegated by the CAC for receiving application materials, conducting form review of application materials and organising specific review work relating to the cybersecurity review under the New CAC Measures. During the consultation, CCRC informed our PRC Legal Adviser that [REDACTED] in Hong Kong will not be deemed as [REDACTED] abroad under the New CAC Measures. Our PRC Legal Adviser is of view that CCRC is the competent authority for such inquiry based on the delegation of the CAC. As advised by our PRC Legal Adviser, given that (i) Hong Kong does not fall within the definition of “abroad” in the provision; (ii) our Group does not possess any mobile users’ personal information; and (iii) our Group had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the New CAC Measures during the Track Record Period and up to the Latest Practicable Date, our Company is not required to proactively apply for a cybersecurity review under the New CAC Measures.

However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. For related risks, see “Risk factors — Our business is subject to complex and evolving laws and regulations, which may be relatively new and subject to changes and uncertain interpretation” in this document. For a detailed discussion of applicable

SUMMARY

laws and regulations regarding cybersecurity, data privacy, and data protection, see “Regulatory overview — Laws and regulations relating to the protection of cyber security, data and privacy protection” and “Regulatory overview — Overseas listing” in this document.

No material adverse change

As far as our Directors are aware, our industry remained relatively stable and there has been no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely since 31 December 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared) up to the Latest Practicable Date, and there is no event since 31 December 2022 which would materially affect the information shown in our audited consolidated financial information included in the Accountants’ Report in Appendix I to this document apart from those discussed above. Based on the above, our Directors are of the view that customers’ demand for our services will remain stable. Subsequent to the Track Record Period and up to the date of this document, save as disclosed herein, there had not been any material changes to our business model, revenue structure and cost structure.