

## 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 whole document and particularly the section headed “Risk Factors” in this document which sets out some of the risks in investing in the [REDACTED] before you decide to invest in the [REDACTED].*

### OVERVIEW

We are an established web series and web films producer and distributor in the PRC, with a focus on developing quality content leveraging on our ability to cover all key steps of the entire industry value chain in the web series and web films industry as well as participation in the co-investment in theatrical films. According to the Frost & Sullivan Report, we ranked the first among all web series and web film producers and distributors (excluding the companies that mainly produce and distribute TV series and/or theatrical films) in terms of the revenue generated from web series and web films in 2021. Our web series Plot Love (親愛的檸檬精先生) was the top-grossing PRC revenue-sharing web series in 2021 with a box office of over RMB50.0 million, and Make My Heart Smile (撲通撲通喜歡你) was the top-grossing revenue-sharing web series on iQiyi in 2021 with a box office of over RMB45.0 million. Our made-to-order web series The Flaming Heart (你好, 火焰藍) gained a top popularity rate of 9999 (out of 9999) on Youku (優酷) in 2021. Our web film The Legend of Hunter (興安嶺獵人傳說) was the top-grossing PRC web film (among those which were initially broadcast in 2021) in 2021, with a total box office of over RMB40.0 million. Our web series My Name is Zhao Jiadi (我叫趙甲第) was the top-grossing revenue-sharing web series on Youku in 2022, with a total box office of over RMB70.0 million. Our web film Punish Evil (惡到必除) broadcast in July 2022, recorded a box office of over RMB27.0 million as of the Latest Practicable Date.

Internet has been developing rapidly in China and the penetration rate of the internet has been increasing, and drama series and film markets are also gradually going online. Web series first emerged in 2015 and entered a rapid development stage in 2018, while the web film market was first put forward by iQIYI in 2014 and entered a phase of explosive growth in 2016. Web contents is expected to become mainstream in the future. In the early years after our establishment in 2016, our Group grasped the opportunities to procure and accumulate a pool of quality IPs mainly comprising web novels and other content to gain market presence. Since then, we have been focusing on the development and production of web contents, and have been dedicated to developing our business with the focus on web series and web films and related IPs. We commenced participating in the development and production of web series and web films in 2017, and became one of the earliest market participants in the web series and web films industries. Our web series and web films have achieved satisfactory results and acclaimed reception by the general audience and industry peers in the PRC market. With our ability to cover all key steps in the entire industry value chain, we are able to maintain high flexibility and generate revenue from different sources. We have recognised revenue adopting various recognition models at different stages throughout our business process. We have recognized income in various models including: (i) licensing of broadcasting right of our web series and web films; (ii) transfer and sales related income derived from licensing of IPs and sales of copyrights of web series and web films; (iii) net investment income from co-investment of web series and films derived from share of income based on the co-investment agreement and transfer of our rights of return under the co-investment agreement; (iv) production income derived from standalone production services; and (v) other services income. During the Track Record Period, our revenue from web series and web films accounted for 76.8%, 93.2% and 62.3%, respectively, of our total revenue. According to the Frost & Sullivan Report, from 2021 to 2026, the CAGR of total revenue of the web series market and web film market will be 7.9% and 8.0%, respectively. In 2020, the revenue generated from web series surpassed that of revenue generated from TV series for the first time in the drama series market, which represented a share of more than 50% in the drama series market, indicating rapid growth and strong potential of web contents. From 2021 to 2026, the revenue of web series will further increase from RMB14.5 billion to RMB21.3 billion and will continue to have a leading position in the drama series market. Web films, as an emerging sector of the film market in China, will have greater growth potential in future. As the growth rate of box office from revenue-sharing web films has surpassed the growth rate of box office from theatrical films, web films are expected to play an increasingly important role in the film market.

Meanwhile, since our establishment in 2016, we precisely captured the preference of web users, and focused on web content products adopting To C model. The first revenue-sharing web series in China was premiered on iQIYI in 2016, initiating a new period of web series industry, while the web films, which are all revenue-sharing in nature, experienced a explosive growth in 2016 as mentioned hereinabove. We started to participate in the production of our first revenue-sharing web series The Buried City to Shut All Lights (等到煙暖雨收) and our first web film Fairy Fox Hunt (伏狐記) in 2018 and in 2017 respectively, and thus we became one of the earliest market participants who participated in the segments of revenue-sharing web series and revenue-sharing web films, respectively, in the industry. During the Track Record Period, we had in aggregate 11 revenue-sharing web series and 37 web films that were initially broadcast and generated revenue during the Track Record Period. Our revenue generated from

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revenue-sharing web series and web films amounted to RMB42.9 million, RMB95.2 million and RMB125.2 million during the Track Record Period. According to the Frost & Sullivan Report, in the web series and web film markets, the To C model, which is the model for revenue-sharing web series and web films, will become the major trend in the future. From 2021 to 2026, the number of revenue-sharing web series will increase from 70 to 90. Although the revenue-sharing web series was introduced later than other categories of web series from 2016 to 2021, it was the fastest growing category of web series in terms of CAGR among three categories of web series, and is expected to keep increasing for the next five years. Web films have also adopted the revenue-sharing model, and with the trend of “putting more value on quality over quantity” in the industry and the formation of payment habit of end-users for web content, rapid growth is expected to continue in the future.

We have seized the niche of web content related market, and captured the future trend of To C model, and through the systematic operation process that covers production, distribution and promotion, and cooperation with renowned business partners in the industry and NICE Partner Alliance, we have participated in quality web series and web films continuously. Our products are recognized by the top five online video platforms, namely Tencent Video (騰訊視頻), Youku (優酷), iQIYI (愛奇藝), Mango TV (芒果TV) and Bilibili (嗶哩嗶哩), and other emerging online video platforms, such as Xigua Video (西瓜視頻), which contributed to the substantial growth in our revenue, profit and total comprehensive income during the Track Record Period.

### OUR BUSINESS MODEL

We primarily engage in production, distribution and/or co-investment of web series and web films as well as the co-investment in theatrical films in the PRC. During the Track Record Period, we generate revenue from the following business segments:

- (i) Web series. During the Track Record Period, we produced, distributed and/or co-invested in revenue-sharing web series, original web series and made-to-order web series;
- (ii) Web films;
- (iii) Theatrical films;
- (iv) Licensing of IP rights; and
- (v) Others.

The table below sets forth the breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%
Web series						
• Revenue-sharing web series	11,649	4.4	35,638	10.3	75,973	36.9
• Original web series	117,280	45.2	19,049	5.5	59	0.0
• Made-to-order web series	39,388	15.2	208,042	60.2	3,099	1.5
<b>Subtotal</b>	<b>168,317</b>	<b>64.8</b>	<b>262,729</b>	<b>76.0</b>	<b>79,131</b>	<b>38.4</b>
Web films	31,235	12.0	59,550	17.2	49,239	23.9
Theatrical films	24,684	9.5	17,855	5.2	(365)	(0.2)
Licensing of IP rights	33,491	12.9	—	—	75,000	36.4
Others <sup>(1)</sup>	1,971	0.8	5,518	1.6	2,896	1.5
<b>Total</b>	<b>259,698</b>	<b>100.0</b>	<b>345,652</b>	<b>100.0</b>	<b>205,901</b>	<b>100.0</b>

Note:

- (1) Others include script writing, distribution and promotion service and other services.

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### Web series

#### *Revenue-sharing web series*

We are engaged in production, distribution and/or co-investment of revenue-sharing web series that are broadcast on online video platforms. For revenue-sharing web series, the licensing fee is in the form of share of revenue payable by online video platforms predominantly determined by effective number and duration of views, as well as CPM advertisements, based on the calculation mechanism, the formula of which would typically be: Effective number and duration of view/CPM advertisements income multiplied by prevailing price per effective number and duration of view of web series or CPM advertisement, as stipulated in the revenue-sharing policy published by the online video platforms. Generally speaking, the calculation in respect of the share of revenue would be firstly based on the rating given to our web series by the online video platforms after their internal assessments.

In respect of revenue-sharing web series, we predominantly enter into co-investment agreement for the planning and development, acquisition of IPs, production, distribution and promotion work and generally share the responsibilities, as well as deciding the candidates of major cast and crew members, with other co-investors. Under the co-investment agreement, we would be required to make capital contribution in proportion to our investment percentage commencing from the early stage during the (i) planning and development and (ii) filming and production phases of the web series, and in return, we are entitled to rights of return for share of the licensing fee and other related income in proportion to our investment percentage after the distribution of the web series.

#### *Original web series*

We are engaged in production, distribution and/or co-investment of original web series that are broadcast on online video platforms. For original web series, the licensing fee is in the form of fixed fee payable by online video platforms predominantly determined with reference to the rating given to our web series by the online video platforms after their internal assessment, the investment scale and the expected popularity of the web series.

In respect of original web series, we predominantly enter into co-investment agreement for the planning and development, acquisition of IPs, production, distribution and promotion work and generally share the responsibilities, as well as deciding the candidates of major cast and crew members, with other co-investors. Under the co-investment agreement, we would be required to make capital contribution in proportion to our investment percentage commencing from the early stage during the (i) planning and development and (ii) filming and production phases of the web series, and in return, we are entitled to rights of return for share of the licensing fee and other related income in proportion to our investment percentage after the distribution of the web series.

#### *Made-to-order web series*

We are engaged in development and production of made-to-order web series per the online video platforms' requests, where the online video platforms are responsible for investing in, developing, and distributing such web series and we are entitled to production fees for our provision of development and production services.

We charge the online video platforms the production fees for management of overall full-cycle development and production procedures, including but not limited to, purchase of IP rights, cast talents and filming and production crew assembling, production management and quality control, as well as post-production editing for the made-to-order web series. We charge online video platforms a pre-determined fixed production fee based on negotiations between the parties on a cost-plus basis, taking into consideration our target profit margin for the production services we provide.

### Web Films

In addition to web series, we are also involved in production, distribution and/or co-investment of web films broadcast on online video platforms.

In respect of web films, we predominantly enter into co-investment agreement for the planning and development, acquisition of IPs, production, distribution and promotion work and generally share the responsibilities, as well as deciding the candidates of major cast and crew members, with other co-investors. Under the co-investment agreement, we would be required to make capital contribution in proportion to our investment percentage commencing from the early stage during the (i) planning and development and (ii) filming and production phases of the web films, and in return, we are entitled to rights of return for share of the licensing fee and other related income in proportion to our investment percentage after the distribution of the web films.

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### Theatrical Films

In addition to web series and web films, we also co-invested in theatrical films. Leveraging on the extensive experience and connections of our management in the industry and our strong promotion abilities, we are able to gain access to the opportunities to invest in high-profile films as one of the minority co-investors.

In respect of theatrical films, we generally enter into co-investment agreement and would be required to make capital contribution in proportion to our investment percentage after the filming of the theatrical films is completed. In return, we are entitled to rights of return for share of the licensing income in proportion to our investment percentage after the distribution of the theatrical films.

### Licensing of IP Rights

During the Track Record Period, we licensed the IP rights in the form of novel, literature, etc. that we had previously procured from IP owners and other producers to third parties at a premium.

### Others

During the Track Record Period, we also generated a small portion of revenue from other services, mainly including: (i) providing script writing services for third parties; and (ii) providing standalone distribution and promotional services for third parties.

For details in relation to our business model, see “Business – Our Business Model.”

## OUR REVENUE RECOGNITION MODEL

Under each of our business segments, we have different revenue recognition models.

The table below sets forth the revenue recognition models for each business segment during the Track Record Period:

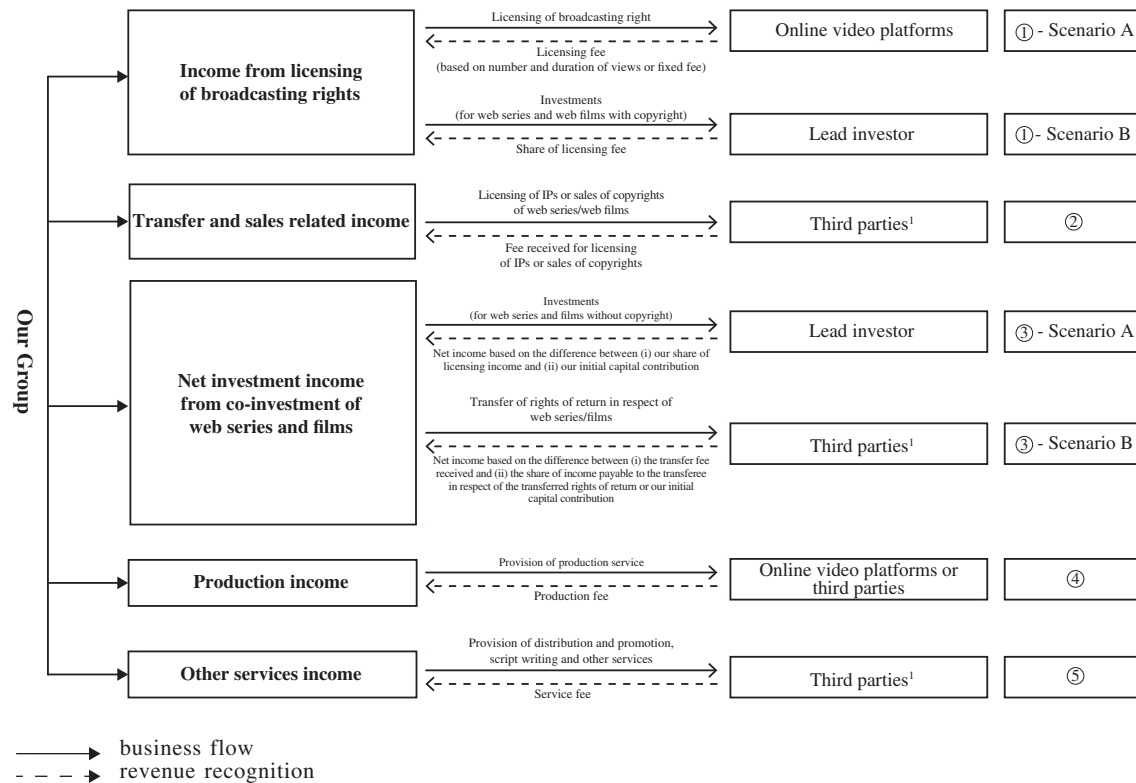
Revenue recognition model	Web series	Web films <sup>1</sup>	Theatrical films <sup>2</sup>	Licensing of IP rights	Others
① Income from licensing of broadcasting rights	✓	✓			
② Transfer and sales related income	✓	✓		✓	
③ Net investment income from co-investment of web series and films	✓	✓	✓		
④ Production income	✓		✓		
⑤ Other services income	✓	✓	✓		✓

#### Notes:

- During the Track Record Period, we did not generate any production income for web films as all web films were revenue-sharing web films for which we would be one of the co-investors participating throughout the production, distribution and/or promotion process, and thus we did not provide standalone production service to other parties.
- During the Track Record Period, we generated small amount of revenue from production income for provision of production services for additional scenes in respect of a theatrical film.

The chart below illustrates our business and revenue recognition models during the Track Record Period:

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*Note 1:* Third parties refer to third party transferees or third party producers and distributors.

The pricing for our licensing of broadcasting right is mainly determined by: (i) for revenue-sharing web series and web films, effective number and duration of views based on the calculation mechanism as stipulated in the revenue-sharing policy published by the online video platforms; and (ii) for original web series, reference to the rating given to our web series by the online video platforms after their internal assessment, the investment scale and the expected popularity of the web series.

The pricing for our transfer and sales related income can fluctuate substantially depending on the genre, format, market price trends, volume, status of development, and production of the web series and web films. Given that the IPs and web series/films are creative works without standard form, genre, quality and market perception, there is practical difficulty to apply objective or standard basis to the pricing terms and thus the range of the transfer price of the IPs and copyrights can be very wide. As such we are required to negotiate on a case-by-case basis taking into account, among others, our internal considerations such as including the market or offer price the expected return on investment, our internal development and production capacity, and our cash flow conditions.

The pricing for our income in relation to transfer of rights of return, can fluctuate substantially depending on the genre and specific subject matter, the appeal of the storyline, the quality of content, market price trends, status of development, the preference and acceptance of audience, reputation of the production teams and production of the web series and films. As such we are required to negotiate on a case-by-case basis taking into account our internal considerations such as including the market or offer price the expected return on investment, our internal development and production capacity, and our cash flow conditions.

The pricing for our production services is mainly determined on cost-plus basis taking into account our target profit margin.

We generally charge a fixed service fee for our other services income, save for the distribution service for which we generally charge a certain percentage of the revenue generated from the web series and web films as our service fees. The pricing basis of other services income largely depends on the time and costs to be incurred for providing the services.

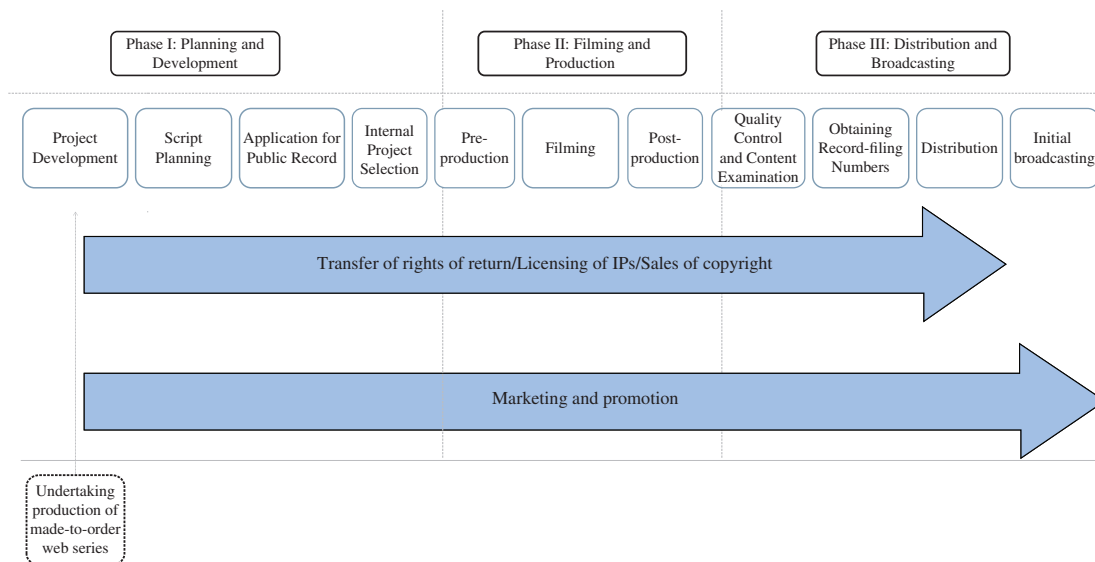
For details in relation to our business model, see “Business – Our Revenue Recognition Model.”



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### OUR BUSINESS PROCESS

The diagram below illustrates our typical project workflow:



### OUR CUSTOMERS AND SUPPLIERS

#### Our Customers

While the end-consumers of web series and web films are the general audiences who watch such web series and web films, our revenue mainly comes from online video platforms and third-party producers and distributors of web series and web films based in the PRC.

For each of the years ended 31 December 2020, 2021 and 2022, revenue from our five largest customers accounted for approximately 74.4%, 92.6% and 88.6%, respectively, of our total revenue, and revenue from our largest customer accounted for approximately 21.8%, 50.4% and 26.6%, respectively, of our total revenue for the same periods. We generally settle with our five largest customers by bank transfer and require payment before a specified date or grant to them credit terms ranging from five to 180 business days upon: (i) signing of the contract; (ii) delivery of finished goods or services; (iii) receipt of revenue settlement bill; and (iv) at the beginning or end of specified production processes (e.g. formation of major cast members, filming, record-filing and initial broadcasting) of a web series or web film.

Save for Youku Information, all of our five largest customers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, save for Youku Information, none of our Directors, their respective associates or any Shareholder that owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period. For details in relation to our customers, please see “Business – Our Customers.”

#### Our Suppliers

Our suppliers primarily consist of (i) third-party service providers in relation to (a) web series and web film production, including scriptwriters, directors and actors, filming, production and post-production studios as well as, staffing solution providers; (b) producers and/or distributors of theatrical films; and (c) service providers for marketing and promotion activities; and (ii) IP owners who license the IP rights of creative works to us, all based in the PRC.

Our top five largest suppliers are mainly service providers. For each of the years ended 31 December 2020, 2021 and 2022, purchases from our five largest suppliers accounted for approximately 16.9%, 10.1% and 19.1%, respectively, of our total purchases, and purchase from our largest supplier accounted for approximately 4.4%, 2.5% and 4.9%, respectively, of our total purchases for the same periods. We generally settle with our five largest suppliers by bank transfer and are grant credit terms ranging from two to seven business days.

All of our five largest suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder that owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. For details in relation to our suppliers, see “Business – Our Suppliers.”

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### Overlapping of Customers and Suppliers

Due to the nature of our business, some of our customers or suppliers during the Track Record Period were also our suppliers or customers, respectively, during the same period, which is an industry norm as advised by Frost & Sullivan. Our Directors confirmed that the transactions with these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm’s length basis. For details, see “Business – Overlapping of Customers and Suppliers.”

### Relationship with Alibaba Group

Youku Information is an associate of Dongyang Alibaba and SAC Finance. During the Track Record Period, we mainly (i) provided production service for made-to-order web series of Youku Information; and (ii) licensed the broadcasting right of our revenue-sharing web series and web films to Youku Information. We have entered into framework agreements with Alibaba Group for future cooperation. Our Directors are of the view that it is unlikely that our relationship with Alibaba Group would be terminated or otherwise materially adversely changed, and we have been and will continue to operate our business independently from Alibaba Group. For details, see “Business – Relationship with Alibaba Group.”

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success: (i) we have developed and maintained an established market presence in the web series and web film industry. According to the Frost & Sullivan Report, we ranked the first among all web series and web film producers and distributors (excluding the companies that mainly produce and distribute TV series and/or theatrical films) in terms of the revenue generated from web series and web films in 2021; (ii) we have formulated a systemic operation flow for efficient incorporation of production, promotion and distribution of web series and web films. With our strong resources integration and systemic and effective execution abilities with close supervision over each key step of our business operation, we are able to assign or engage suitable teams and suppliers to specific projects and shorten the time periods needed for planning and development, production and distribution, so as to overcome the limitation on our business expansion due to the limited resources in the web series and web film industry, hence enhancing our leading market position; (iii) we have formed NICE Partner Alliance and built stable long-term collaboration with top-tier industry talents, including well-known writers, Tianxia Bachang (天下霸唱) and Yanyu Jiangnan (煙雨江南), and renowned drama series and film production companies, CKF Pictures (工夫影業), Tianjin Shijian Film and Television Media Co., Ltd. (天津十間影視傳媒有限公司) and Beijing Yixin Culture Media Co., Ltd. (北京譯心文化傳媒有限公司); (iv) we maintain a large pool of high-quality IPs in reserve for all-round development. We generally hold approximately 10 to 20 IPs in reserve to satisfy our needs to produce and distribute web series. We believe that a vast IP reserve enables us to produce a variety of web series and web films and achieve diversified source of revenue, which is fundamental to our success; and (v) we have a visionary and seasoned management team and premium resources from notable investors. Under the leadership of Ms. Zhang, who has over 15 years of experience in the media and entertainment industry, and our seasoned management, we have grown to become an established web series and web films producer with high-quality production and operation systems in place, and operate as one of the leading web content-based web series producers and distributors. We also introduced several strategic investors, including Dongyang Alibaba and Shenzhen Huiwen in 2020 and Wusheng Investment in 2021. For details, see “Business – Our Competitive Strengths.”

### OUR BUSINESS STRATEGIES

Further to our vision for sustainable growth and success, we intend to adopt the following strategies: (i) we continue to strengthen our production, promotion and distribution capabilities. We will continue to obtain more high-quality IPs of any genre with content carrying a youthful vibe and positive message through more diversified channels, strengthen our connection with downstream distribution channels to enhance our distribution ability, and strengthen and expand the NICE Partner Alliance and enhance our collaboration with our business partners in the industry; (ii) we will continue to expand and diversify our product portfolio. In particular, we plan to increase our investment in high-quality theatrical films, further strengthen our all-round development of IPs and realize the value of our IPs in various forms, strengthen our offline monetization of IPs in the form of IP licensing, and expand our practice in provision of standalone distribution and promotional service; (iii) we plan to further expand our business through selective investments and mergers and acquisitions, including investment in and acquisition of IP company(ies), web content production company(ies) and

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director studio(s); and (iv) we will continue to attract and retain talented professionals, including script appraisal professionals, well-recognized planners (策劃人) and producers, and experienced project managers. For details, see “Business – Our Business Strategies.”

### RISK FACTORS

Our operations involve certain risks and uncertainties that are beyond our control. We have categorised our risks into: (i) risks relating to our business and industry; (ii) risks relating to our contractual arrangements; (iii) risks relating to the PRC; and (iv) risks relating to the [REDACTED]. Some of the key risks are summarized as follows: (i) if the web series and web films produced, distributed and/or co-invested by us cannot suit the preferences of the audience, our business, results of operations and financial condition may be materially and adversely affected; (ii) we heavily rely on the top five online video platforms as the distribution channels of our web series and web films and hence any deterioration of our relationship with such online video platforms could materially and adversely affect our business, financial condition, results of operations and growth prospects; (iii) our revenue is generally generated on a project-by-project basis and therefore historical financial performance may not be indicative of our future financial performance; and (iv) any delay in the production or distribution of or unexpected increase in production or distribution cost for web series and web films may have material adverse impact on our Group’s financial performance.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this document and, in particular, should evaluate the specific risks set forth in “Risk Factors” of this document in deciding whether to invest in our Shares.

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the [REDACTED] Share Option Scheme), Ms. Zhang and Mr. Zhong will together form a group of controlling shareholders within the meaning of the Listing Rules and will be entitled to exercise voting rights of [REDACTED]% of the total issued share capital of our Company immediately upon the [REDACTED] through investment holding companies controlled by Ms. Zhang and Mr. Zhong, namely Zhong Zhao, Zhong Xiaoteng, Zhong Binwei, Zhong Junya, Kun Yuexiang and Jin Yuxing. Ms. Zhang and Mr. Zhong could be regarded as acting in concert for the purposes of the Takeovers Code given that they jointly control our Group through Jin Yuxing. Each of Mr. Zhong and Ms. Zhang has managed and operated Nicefilm Technology since our establishment and March 2019, through Jinruida (L.P.), a company which exercises of 30% or more of the voting power at general meetings of Nicefilm Technology. For details in relation to our Controlling Shareholders, see “Relationship with our Controlling Shareholders.”

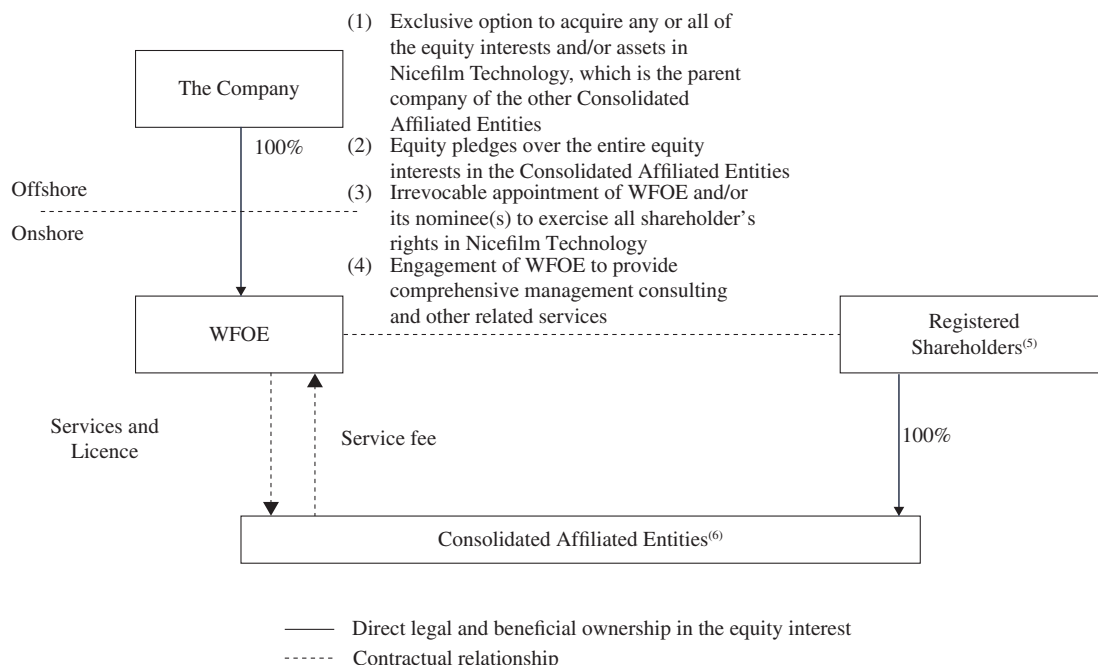
### CONTRACTUAL ARRANGEMENTS

Our Company operates certain businesses that are subject to foreign investment restrictions under current PRC laws and regulations. In order to comply with such laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements entered into on 30 November 2021. Pursuant to the Contractual Arrangements, we have effective control over and are entitled to receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities. For details, see “Contractual Arrangements”.

The following diagram illustrates the flow of the economic benefit from the Consolidated Affiliated Entities to our Group as stipulated under the Contractual Arrangements:



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For the notes included in the diagram above, see “Contractual Arrangements – Details of the Contractual Arrangement.”

### [REDACTED] INVESTMENTS

We introduced SAC Finance, Huiyin Pictures and Wusheng Investment as our [REDACTED] Investors through several rounds of [REDACTED] Investments in 2020 and 2021 to support our expanding business operations, and respectively hold approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the total issued Shares in our Company immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued pursuant to the [REDACTED] Share Option Scheme). For details of our [REDACTED] Investments, see “History, Reorganisation and Corporate Structure – [REDACTED] Investments”.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this document. You should read this summary in conjunction with our consolidated financial information included in the Accountants’ Report in Appendix I to this document, including the accompanying notes, and the information set forth in “Financial Information.”

## SUMMARY

### Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income with line items of our revenue for the periods indicated:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<b>Revenue</b>	259,698	345,652	205,901
Cost of sales	(165,559)	(249,811)	(113,825)
Gross profit	94,139	95,841	92,076
Other income and gains	15,851	2,698	3,607
Selling and distribution expenses	(17,147)	(26,321)	(21,547)
Administrative expenses	(45,011)	(35,153)	(23,748)
Impairment losses on financial assets, net	818	(1,553)	(571)
Other expenses	(2)	(99)	(2)
Finance costs	(9,441)	(678)	(1,368)
Share of profits/(losses) of: Associates	(282)	30	(305)
Changes in fair value of convertible re-deemable preferred shares	(10,055)	(18,129)	9,467
<b>Profit before tax</b>	28,870	16,636	57,609
Income tax credit/(expense)	(3,025)	1,316	(9,562)
<b>Profit and total comprehensive income for the year</b>	<u>25,845</u>	<u>17,952</u>	<u>48,047</u>
Attributable to:			
Owners of the parent	30,995	18,052	47,548
Non-controlling interests	(5,150)	(100)	499

### NON-HKFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use the Adjusted Net Profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance. For details, see “Financial Information – Non-HKFRS Measure.” The following table reconciles our Adjusted Net Profit for the year presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<b>Profit and total comprehensive income for the year</b>	25,845	17,952	48,047
Add:			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Equity-settled share award expenses <sup>(2)</sup>	20,062	–	–
Change in fair value of convertible redeemable preferred shares <sup>(3)</sup>	10,055	18,129	(9,467)
<b>Adjusted Net Profit for the year</b>	<u>58,416</u>	<u>46,906</u>	<u>42,219</u>

## SUMMARY

### Notes:

1. [REDACTED] expenses relate to the [REDACTED] of the Company.
2. Equity-settled share award expenses relate to the Onshore Employee Incentive Plan adopted on 20 September 2020 and our Group does not expect to incur such expense again thereafter.
3. Our Group does not expect to record any further gain or loss due to change in fair value of convertible redeemable preferred shares after the [REDACTED].

Our revenue increased from RMB259.7 million for the year ended 31 December 2020 to RMB345.7 million for the year ended 31 December 2021 mainly attributable to the increase in revenue generated from our made-to-order web series, which was in line with our business development of made-to-order web series segment by leveraging on our expanding production capabilities. Our revenue decreased from RMB345.7 million for the year ended 31 December 2021 to RMB205.9 million for the year ended 31 December 2022 mainly due to the decrease in revenue generated from web films and web series. For details, see “Financial Information – Description of Major Components of Our Results of Operations – Revenue – Revenue by business segment.”

Our gross profit margin decreased from 36.2% for the year ended 31 December 2020 to 27.7% for the year ended 31 December 2021 mainly due to the decrease in the gross profit margin of our web series, which was mainly due to the revenue from made-to-order web series which mainly include The Flaming Heart (你好，火焰藍), First Love Again (循環初戀), To Be A Brave One (致勇敢的你) and To Be With You (約定之年夜飯), accounted for a higher percentage of our total revenue for the year ended 31 December 2021 and the gross profit margin for made-to-order web series, which was charged in the form of fixed fee determined on cost-plus basis, was generally lower as compared to other types of web series which is consistent with the industry practice, as advised by Frost & Sullivan. Our gross profit margin increased from 27.7% for the year ended 31 December 2021 to 44.7% for the year ended 31 December 2022 mainly because of: (i) the increase in the gross profit margin of our web series, which was mainly due to the decrease in the proportion of the revenue from made-to-order web series of our total web series revenue and the gross profit margin for made-to-order web series was generally lower as compared to other types of web series which is consistent with the industry practice, at a range of 10% to 20%, as advised by Frost & Sullivan; and (ii) the increase in the gross profit margin of licensing of IP rights given that the licensed IPs are of top-notch and/or were previously adapted into popular web series and web films. For details, see “Financial Information – Description of Major Components of Our Results of Operations – Gross Profit and Gross Profit Margin.”

Our net profit decreased from RMB25.8 million for the year ended 31 December 2020 to RMB18.0 million for the year ended 31 December 2021, which was mainly due to the decrease in other income and gains due to the decrease in gains from mediation. Our net profit increased from RMB18.0 million for the year ended 31 December 2021 to RMB48.0 million for the year ended 31 December 2022 mainly due to the drop in expenses including selling and distribution expenses and administration expenses due to the impact of the COVID-19 pandemic.

Our adjusted net profit for the year decreased from RMB58.4 million for the year ended 31 December 2020 to RMB46.9 million for the year ended 31 December 2021 mainly because of the decrease in our other income and gains because we did not record gain from mediation for the year ended 31 December 2021. Our adjusted net profit for the period decreased from RMB46.9 million for the year ended 31 December 2021 to RMB42.2 million for the year ended 31 December 2022 mainly because of the decrease of RMB3.8 million in gross profit for the year ended 31 December 2022.

### Summary of Consolidated Statements of Financial Position

The following table sets out a breakdown of our current assets, current liabilities, and net current liabilities/assets as at the dates indicated:

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<b>Current Assets</b>			
Inventories	111,869	70,521	128,730
Web series and film copyrights	182,740	192,396	110,368
Contract assets	94	3,920	255
Trade receivables	54,244	65,371	121,522
Prepayments, other receivables and other assets	28,959	37,209	45,918
Financial assets at fair value through profit or loss	41,712	49,554	42,672

## SUMMARY

	As of 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Restricted cash	28,113	10,113	1,997
Cash and cash equivalents	48,120	61,728	87,371
Total current assets	495,851	490,812	538,833
<b>Total non-current assets</b>	<b>42,148</b>	<b>55,769</b>	<b>40,788</b>
<b>Current Liabilities</b>			
Trade payables	25,347	22,001	28,865
Other payables and accruals	166,149	115,086	158,813
Interest-bearing bank loans and other borrowings	21,665	34,385	22,465
Financial liabilities at fair value through profit or loss	71,168	164,468	117,311
Lease liabilities	597	4,178	2,592
Tax payable	4,547	–	1,556
Total current liabilities	289,473	340,118	331,602
<b>NET CURRENT ASSETS</b>	<b>206,378</b>	<b>150,694</b>	<b>207,231</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>248,526</b>	<b>206,463</b>	<b>248,019</b>
Total non-current liabilities	93,492	7,959	1,468
<b>Net assets</b>	<b>155,034</b>	<b>198,504</b>	<b>246,551</b>
Non-controlling interests	(4,884)	(4,984)	(4,485)

Our net current assets increased from RMB150.7 million as of 31 December 2021 to RMB207.2 million as of 31 December 2022, primarily due to: (i) the increase in trade receivables of RMB56.2 million; (ii) the increase in inventories of RMB58.2 million; and (iii) the increase in cash and cash equivalents of RMB25.6 million, partially offset by the decrease in web series and film copyrights of RMB82.0 million.

Our net current assets decreased from RMB206.4 million as of 31 December 2020 to RMB150.7 million as of 31 December 2021, primarily due to: (i) the decrease in inventories of RMB41.3 million; and (ii) the increase in financial liabilities at fair value through profit or loss of RMB93.3 million mainly due to the recategorisation of convertible redeemable preferred shares from non-current liabilities to current liabilities, partially offset by: (i) the increase in trade receivables of RMB11.1 million; (ii) the increase in web series and film copyrights of RMB9.7 million; and (iii) the decrease in other payables and accruals of RMB51.1 million.

Our net assets increase from RMB155.0 million as of 31 December 2020 to RMB198.5 million as of 31 December 2021 mainly due to our issue of shares to Wusheng Investment at a consideration of RMB25.5 million and our net profit of RMB18.0 million for the year ended 31 December 2021. Our net assets increased from RMB198.5 million as of 31 December 2021 to RMB246.6 million as of 31 December 2022 mainly due to increase in trade receivables for the broadcasting of web series and web films and licensing of IP rights and our net profit of RMB48.0 million for the year ended 31 December 2022. For details, see Consolidated Statements of Changes in Equity set out in Appendix I to this document.

For details, see “Financial Information – Discussion of Certain Key Balance Sheet Items.”

## SUMMARY

### Summary of Consolidated Statements of Cash Flow

The following table sets out our cash flows for the periods indicated:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Profit before tax	28,870	16,636	57,609
Adjustments	40,282	19,775	(6,286)
Changes in working capital	129,796	(46,609)	(8,750)
Income tax refunded/(paid)	(8,561)	(9,089)	1,311
Net cash generated from/(used in) operating activities	190,387	(19,287)	43,884
Net cash generated from/(used in) investing activities	3,118	(1,897)	(67)
Net cash generated from/(used in) financing activities	(212,142)	34,869	(18,254)
Net increase/(decrease) in cash and cash equivalents	(18,637)	13,685	25,563
Cash and cash equivalents at beginning of year	66,757	48,120	61,728
<b>Cash and cash equivalents at end of year</b>	<b>48,120</b>	<b>61,728</b>	<b>87,371</b>

Our net cash generated from operating activities was RMB190.4 million for the year ended 31 December 2020, which was primarily attributable to our profit before tax of RMB28.9 million, as adjusted for: (i) non-cash or non-operating items such as equity-settled share award expense of RMB20.1 million and increase in fair value of convertible redeemable preferred shares of RMB10.1 million and (ii) impairment of web series and film copyrights of RMB10.4 million; partially offset by gain from mediation of RMB13.1 million; (iii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB105.7 million, a decrease in financial assets at fair value through profit or loss of RMB46.9 million, an increase in financial liabilities at fair value through profit or loss of RMB45.5 million, a decrease in trade receivables of RMB39.8 million, a decrease in prepayments, other receivables and other assets of RMB20.1 million; partially offset by an increase in inventories of RMB79.2 million, an increase in restricted cash of RMB27.8 million and an increase in web series and film copyrights of RMB21.6 million.

We recorded negative operating cash flow of RMB19.3 million for the year ended 31 December 2021 mainly due to the increase in cost invested in the development and production of our projects in 2021 to support the growth of our business operation. For the year ended 31 December 2022, we recorded net cash generated from operating activities of RMB43.9 million mainly due to the (i) delays in development and production of various projects; and (ii) increase in revenue from licensing of IP rights under the impact of the COVID-19 pandemic. For details, see “Financial Information – Liquidity and Capital Resources – Cash Flow – Net Cash Generated from/(Used in) Operating Activities.”



## SUMMARY

### KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Year ended 31 December		
	2020	2021	2022
<b>Profitability ratios</b>			
Gross profit margin	36.2%	27.7%	44.7%
Net profit margin	10.0%	5.2%	23.3%
Return on equity	21.2%	10.2%	21.6%
Return on assets	4.6%	3.3%	8.5%
<b>Liquidity ratios</b>			
Current ratio	1.7	1.4	1.6
Quick ratio	0.7	0.7	0.9
<b>Capital adequacy ratios</b>			
Gearing ratio	14.4%	23.4%	10.8%
Interest coverage ratio	4.1	25.5	43.1

### IMPACTS OF THE COVID-19 PANDEMIC

Since late 2019, the PRC and various regions around the globe have encountered the outbreak of COVID-19. The PRC government has imposed various measures in order to combat the spread of COVID-19, including temporary lockdowns, suspension of work and travel restrictions from time to time. Since the outbreak of COVID-19, we have adopted stringent disease prevention measures to reduce the risk of our employees and cast and crew members at the filming sites including regular disinfection and cleaning of the workplaces, procurement of medical and hygiene materials for our staff and monitoring the body temperature of staff. While the COVID-19 pandemic gradually became less severe from early 2020 to 2021 in the PRC, there are uncertainties in relation to the spread of COVID-19 within the country, especially after the emergence of new variants of COVID-19 such as the more infectious Omicron virus variant. Escalations in the number of infected cases were recorded in various cities in the PRC such as Shanghai in the first half of 2022 and another round of COVID-19 outbreaks throughout late 2022 in multiple cities across the PRC under lock-down which led to imposition of stricter measures regarding lockdown and travel restrictions. As such, we encountered delays in the production process, as well as the initial broadcasting, of various projects, such as the delay in the filming and initial broadcasting dates of various made-to-order web series and web films such as *The Dauntless Youths* (長風少年詞), *Zhenhun Street — Passionate Blood* (鎮魂街之熱血再燃) and *Legend of Hunter in Xing’An Mountain* (興安嶺獵人傳說2:輪迴森林). As a result, our number of web series and web films (that generated revenue during the Track Record Period) initially broadcast in 2022 recorded a decrease to 14 as compared to 24 in 2021. Our revenue from web series and web films decreased from RMB322.3 million for the year ended 31 December 2021 to RMB128.5 million for the year ended 31 December 2022. Nonetheless, our Directors confirm that such delays were merely temporary and there has been no material disruption in our production work and schedule led by the COVID-19. On the other hand, given that we enjoy high flexibility and revenue diversification, we have actively sought opportunities on the potential of IP licensing in order to shorten the investment payback period and improve our cash flow. For details, see “Financial Information – Description of Major Components of Our Results of Operations”. In 2023, the PRC government has eased its dynamic zero-COVID-19 policy and lifted most of its COVID-19 related restrictions. As such, our project development and production work has substantially been resumed to normal since 2023.

Save for the aforesaid, our Directors confirmed that, the COVID-19 pandemic and the Omicron and Delta variants did not have any material adverse impact on our business and results of operations, and is not expected to bring any permanent or material interruption to our operations. However, there can be no assurance that our business and financial condition will not be adversely affected, particularly if the pandemic continues for an extended period or worsens in the PRC. See “Risk Factors — Risks Relating to Our Business and Industry — Our business performance, financial condition and results of operations may be adversely affected by the outbreak of COVID-19 and the occurrence of any force majeure events, natural disasters, acts of war or other outbreaks of contagious diseases in the PRC.” for details.

## SUMMARY

### RECENT DEVELOPMENT

Given that the web series and web films markets in the PRC will continue to expand, and in line with one of our business strategies of strengthening our production, promotion and distribution capabilities, we maintain our focus on the development of our two major business segments of web series and web films. Subsequent to the Track Record Period and up to the Latest Practicable Date, we also broadcast more web series and web film, including Love Me Like I Do (我的老闆為何那樣) and Northeast Zoo (東北猛獸). As of the Latest Practicable Date, we had (i) 14 major pipeline web series; and (ii) 18 major pipeline web films, including those which were under post-production and under development. In particular, we had four pipeline web films with broadcasting record-filing numbers obtained such as Huoshen Animation (火神動畫) and Four Hayes Younster (四有青年) which are expected to be broadcast in 2023. Furthermore, we had three pipeline web series under post-production such as The Dauntless Youth (長風少年詞) First Love Again (第二次初戀) and Zhenhun Street – Passionate Blood (鎮魂街之熱血再燃), which are expected to broadcast in 2023 and three pipeline web films under post-production such as The Home in the Tree II (樹上有個好地方2:美術老師的放羊班), Legend of Hunter in Xing’An Mountain (興安嶺獵人傳說2:輪迴森林) and Project N, which are expected to be broadcast in 2023. For details, see “Business – Our Web Series in the Pipeline” and “Business – Our Web Films in the Pipeline.” Our Directors are of the view that, taking into our pool of pipeline projects, we will be able to enhance our business development and strengthen our market share in the web series and web film markets in the PRC.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, (i) there has been no material adverse change in our financial, operational, and/or trading position since 31 December 2022, being the end date of the periods reported on in the Accountants’ Report as set out in Appendix I to this document and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

### Recent Regulatory Developments in China

#### PRC Laws and Regulations relating to Overseas [REDACTED]

On 17 February 2023, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant five guidelines, which will become effective on 31 March 2023.

The Overseas Listing Trial Measures will regulate both direct and indirect overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities by adopting a filing-based regulatory regime. If an [REDACTED] makes an initial overseas [REDACTED] or [REDACTED], it shall file a record with CSRC within 3 working days after the issuance and [REDACTED] application documents are submitted overseas. If the [REDACTED] issues [REDACTED] in the same overseas market after the issuance and [REDACTED] overseas, it shall file a record with CSRC within 3 working days after the completion of the [REDACTED].

The Overseas Listing Trial Measures provides that an overseas [REDACTED] or [REDACTED] is explicitly prohibited, if any of the following: (i) such securities [REDACTED] and [REDACTED] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities [REDACTED] and [REDACTED] may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities [REDACTED] and [REDACTED], or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities [REDACTED] and [REDACTED] is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

The Overseas Listing Trial Measures also provides that if the [REDACTED] both meets the following criteria, the overseas securities [REDACTED] and [REDACTED] conducted by such [REDACTED] will be deemed as indirect overseas [REDACTED] by PRC domestic companies: (i) 50% or more of any of the [REDACTED]’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the [REDACTED]’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an [REDACTED] submits an application for [REDACTED] to competent overseas regulators, such [REDACTED] must file with the CSRC within three business days after such application is submitted. The Overseas Listing

## SUMMARY

Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced [REDACTED] of the [REDACTED] who have completed overseas [REDACTED] and [REDACTED].

On the same day, the CSRC issued the Notice on the Administrative Arrangements for the Filing of Overseas Listings by Domestic Enterprises. The CSRC clarified that on the effective date of the Overseas Listing Trial Measures (i.e. 31 March 2023), the domestic enterprises that have mentioned a valid overseas [REDACTED] application and have not received the consent of the overseas regulator or overseas stock exchange may reasonably arrange the timing of filing the application and should complete the filing before the overseas [REDACTED] and [REDACTED].

Based on the foregoing, our PRC Legal Advisers are of the view that we will be required to complete the filing procedures with the CSRC in connection with the overseas [REDACTED]. See “Risk Factors – Risks relating to the PRC – We may be required to obtain prior approval or subject to filings or other requirements from the CSRC or other PRC regulatory authorities for the [REDACTED].”

On 27 December 2021, the NDRC published the latest revisions to the Negative List. Article 6 of the Interpretation Note of the Negative List (“**Article 6**”) provides that “where a domestic enterprise engaged in the business in the prohibited areas of the Negative List seeks to [REDACTED] and [REDACTED] its shares overseas (“**Overseas Issuance and Listing by a Domestic Enterprise under the Negative List**”), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.” On the same day, a spokesman from the NDRC at a press conference in relation to the Negative List said that the supervision and administration of the Overseas Issuance and Listing by a Domestic Enterprise under the Negative List shall be led by the CSRC and the CSRC will seek the view of the competent authority in the relevant industry or sector after receipt of the filing materials for an “overseas [REDACTED]”. At the press conference held for the Overseas Listing Trial Measures on 17 February 2023, officials from the CSRC clarified that, as for companies seeking overseas [REDACTED] and [REDACTED] with contractual arrangements (VIE), the CSRC will solicit opinions from relevant regulatory authorities and file for overseas [REDACTED] of enterprises with VIE structure that meet the compliance requirements.

### ***PRC Laws and Regulations relating to Web Series and Web Films Industry***

More stringent laws and regulations have been formulated by the relevant government authorities for the production and distribution of web series and web films in recent years. For example, the NRTA issued the Notice on Emphasizing the Management and Regulation of Entertainment Programs and Related Personnel (關於進一步加強文藝節目及其人員管理的通知) on 2 September 2021 requiring radio and television institutions and online audio-visual platforms to resolutely reject persons who violate laws and morality, adamantly reject persons with incorrect political positions and whose thoughts and values have diverged from the Communist Party of China and the state.

The Publicity Department of the Central Committee of the Communist Party of China (中共中央宣傳部) issued the Notice on Conducting the Comprehensive Management of Entertainment Field (關於開展文娛領域綜合治理工作的通知) in September 2021 requiring enterprises to resist sky-high remuneration of actors and directors and strictly prohibit tax evasion. The General Office of the Ministry of Culture and Tourism of the PRC (中華人民共和國文化和旅游部辦公廳) also issued the Notice on Further Strengthening the Education and Moral Enhancement of Artists (關於進一步加強文藝工作者教育管理和道德建設的通知) on 30 August 2021 discouraging artists from receiving sky-high remuneration, entering into “yin-yang contracts” and tax evasion.

On 31 October 2018, the NRTA issued the Notice on Further Strengthening the Administration of Radio, Television and Online Audio-Visual Cultural and Art Programs (《關於進一步加強廣播電視和網路視聽節目管理的通知》) (the “**Maximum Wage Order**”). Since then, the relevant authorities have been issuing orders in relations to artists’ remuneration and artistic ethics. For more details, see “Regulatory Overview—Regulations in relation to Artists.”

As advised by our PRC Legal Advisers, production companies of web series and web films shall submit reports disclosing the payments to all actors and principal actors to NRTA or its local branches for review before they can obtain the necessary record-filing number to distribute such content. We have been in compliance with the Maximum Wage Order since its implementation and the reports have been submitted in due course before the programs we produced are launched.

## SUMMARY

If artists exposed to negative news arising from their involvement in illegal activities or behaviors which deviate from societal core value are part of the cast of our web series and web films, online video platform may suspend the broadcasting of such web series and web films, which may result in us being obligated to repay all the payments we have received to our customers with respect to the relevant web series and web films and thus a material adverse change to our business and results of operations.

To minimize such risks, the Group may engage top tier casting service providers to conduct background checks on the artists. Our Group include a negative publicity clause in the agreements entered into or to be entered into with actors stating that we are entitled to seek repayment of the amount of service fees we paid to them in the event any lawsuits, personal misbehaviors, rumors or negative news related to them which affect our distribution of the relevant web series and web films.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our web series and web films broadcasted or to be broadcasted do not involve any personnel which were involved in illegal activities or are considered to have committed to immoral acts.

In addition, we had not been the subject of any review, enquiry, investigation or penalty by any PRC regulatory authorities for illegal and unethical artists during the Track Record Period and up to the Latest Practicable Date.

According to the confirmation of our Group and the public search, our PRC Legal Advisers are of view that we had not been the subject to review, enquiry or investigation by the relevant authorities for illegal and unethical artists during the Track Record Period to the Latest Practicable Date.

Based on the foregoing, our Directors confirm, and the Joint Sponsors concur, that (i) the above-mentioned notices did not have a material adverse impact on our Group during the Track Record Period and up to the Latest Practicable Date, (ii) the cost to comply with the above-mentioned notices are relatively low; and (iii) such measures implemented by the Group are sufficient and effective.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we were in compliance with the PRC laws and regulations relating to web series and web films industry in material respects and have adopted various internal control measures and strategies to ensure compliance with the relevant law, regulations and policies. For details, see “Business – Legal Proceedings and Regulatory Compliance – Regulatory Compliance.” However, if we fail to keep up and comply with the evolving laws, regulations and policies in the future, our web series and web films may not be broadcast as scheduled, which may materially and adversely affect our business, financial condition and results of operations. For details, see “Risk Factors – Risks relating to Our Business and Industry – The web series and web films industries are extensively regulated by various laws, rules and requirements. Failure to obtain all required approvals or any promulgation of additional applicable laws or regulations may have a material and adverse effect on our business, financial condition and results of operations.”

### ***PRC Laws and Regulations relating to Cybersecurity***

On 28 December 2021, the CAC published the Measures for Internet Security Review (《網絡安全審查辦法》) (the “**Measures**”), which became effective on 15 February 2022 and supersede the Measures for Internet Security Review promulgated on 13 April 2020. The Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Measures also provides that a platform operator with more than one million users’ personal information aiming to [REDACTED] abroad must apply for cybersecurity review. Our Data Compliance Legal Advisor advises that the requirement is not applicable to us given that (i) there are no reasonable facts and grounds which lead to the possibility that the Group being regarded as Critical Information Infrastructure Operators (關鍵信息基礎設施企業) (“**CIIO**”), considering the industry in which our Group currently operates, our business type and the categories of data our Group is processing; (ii) the data involved in our Group’s business do not involve important data that may affect national securities, economic development and public interests; and (iii) the total personal data in aggregate are far below one million individuals. As of the date of this document, we had not been notified by any authorities of being classified as a critical information infrastructure operator, neither had we been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect.

On 14 November 2021, the CAC published for public comment the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulations**”), which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our Data Compliance Legal Advisor advises that the Draft Cyber Data Security Regulations are



## SUMMARY

applicable to the personal information processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. The Draft Cyber Data Security Regulations stipulates that a data processor who seeks to complete a [REDACTED] in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security.” As of the Latest Practicable Date, the Draft Cyber Data Security Regulations was released for public comment only and its final version and effective date may be subject to change and uncertainty. In addition, the Measures on Security Assessment of the Cross-border Transfer of Personal Information (《數據出境安全評估辦法》) (the “Measures on Security Assessment”), which was issued by the Cyberspace Administration of China on 7 July 2022 and took effect on 1 September 2022, applies to data processors that provide data collected to overseas during their operations in China and the resulting security assessment of important data and personal information. As advised by the Data Compliance Legal Advisor, we are not subject to the mandatory reporting requirements under the Measures on Security Assessment and thus are not required to report as of the Latest Practicable Date. As of the date of this document, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. As advised by the Data Compliance Legal Advisor, given the fact that, the data involved in our Group’s business did not involve important data and the personal data involved were unsophisticated in nature and limited in quantity, the Data Compliance Legal Advisor are of the view that, our Group shall be compliant with the Draft Cyber Data Security Regulations (assuming the adoption of its current form) and the Measures on Security Assessment in all material respects.

### [REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
[REDACTED] of our Shares upon completion of the [REDACTED] <sup>(1)</sup>	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted net tangible assets per [REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]

#### Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be issued immediately upon completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and any option that may be granted under the [REDACTED] Share Option Scheme.
- (2) For details regarding the assumptions used and the calculations method, see “Appendix II – Unaudited [REDACTED] Financial Information”.

### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] fees and commissions and professional fees paid to legal, accounting and other advisers for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] million (HK\$[REDACTED] million), which represents [REDACTED]% of the gross [REDACTED] from the [REDACTED], and comprising (i) [REDACTED]-related expenses, including [REDACTED] commissions, trading fee and levy of RMB[REDACTED] million (HK\$[REDACTED] million); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] million (HK\$[REDACTED] million), including (a) fees paid and payable to legal advisers and the Reporting Accountants of RMB[REDACTED] million (HK\$[REDACTED] million); and (b) other fees and expenses, including sponsor fees, of RMB[REDACTED] million (HK\$[REDACTED] million). RMB17.8 million of [REDACTED] expenses were charged to profit or loss during the Track Record Period and RMB5.1 million of [REDACTED] expenses were recognized as deferred [REDACTED] expense as of 31 December 2022. We estimate that we will incur further [REDACTED] expenses of RMB[REDACTED] million, of which RMB[REDACTED] million will be charged to profit or loss and the remaining amount of RMB[REDACTED] million is expected to be recognized directly as a deduction from equity upon the [REDACTED].



## SUMMARY

### DIVIDENDS

For the years ended 31 December 2020, 2021 and 2022, Nicefilm Technology, our primary operating entity, did not declare any dividend and save for the payment of dividends of RMB2.5million, which was declared prior to the Track Record Period, for the year ended 31 December 2022, did not pay any dividends. We do not have a formal dividend policy or a fixed dividend payout ratio. You should note that the historical dividend distribution are not indicative of our future dividend distribution policy.

Subject to the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time declare interim dividends as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

Our Board will from time to time take into account various factors in determining whether dividends are to be declared and paid. For details, see “Financial Information – Dividend.”

[REDACTED]

We estimate that the [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] and any option that may be granted under the [REDACTED] Share Option Scheme is not exercised. In line with our strategies, we intend to apply the [REDACTED] from the [REDACTED] for the following purposes and in the amounts set forth below:

Percentage of [REDACTED]	Future plans	Approximately HK\$ in millions
[REDACTED]%	To fund the production of our web series and web film and the investment in theatrical films	[REDACTED]
[REDACTED]%	To fund potential investment in, or mergers and acquisitions of, companies that may enhance our market position and our development, production and/or investment in web series and web films	[REDACTED]
[REDACTED]%	To secure more IPs to guarantee the stable growth of our web series and web film production and distribution	[REDACTED]
[REDACTED]%	To strengthen our promotion and distribution capabilities	[REDACTED]
[REDACTED]%	Working capital	[REDACTED]

For details, see “Future Plans and [REDACTED]”.