

---

## SUMMARY

---

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to [REDACTED] 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" in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

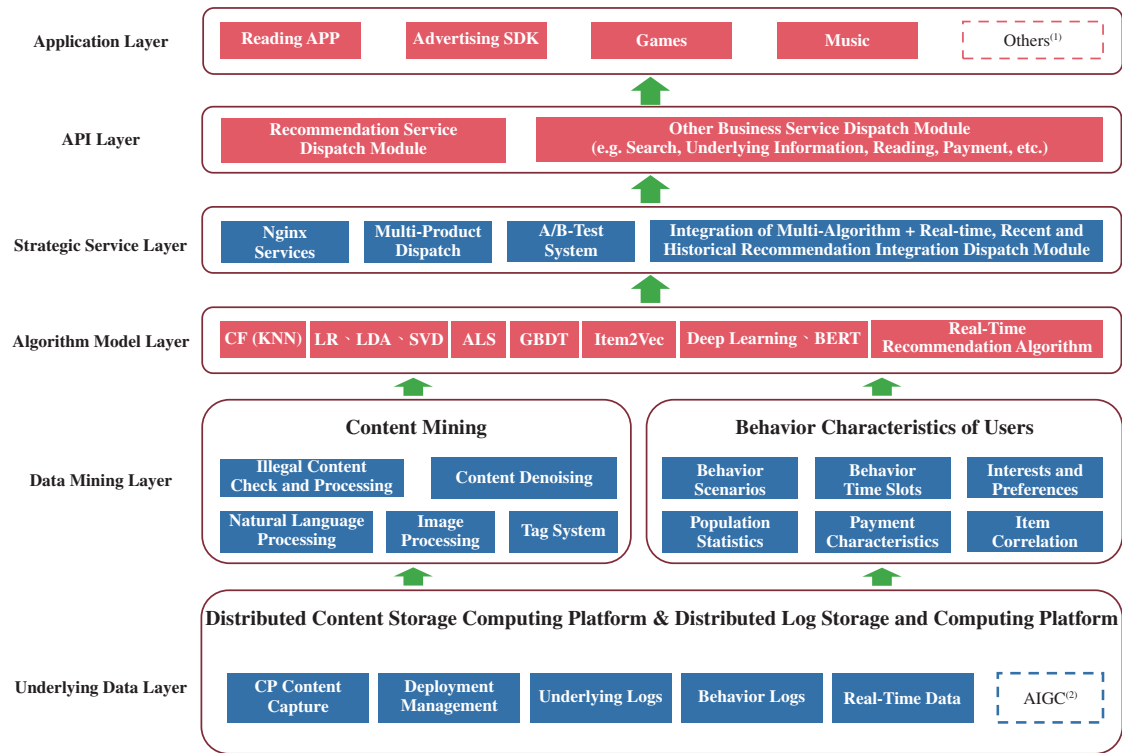
## OVERVIEW

Founded in 2005 and deeply engaged in the R&D of AI-based recommendation technology, we have successfully applied our proprietary intelligent recommendation engine, Easou AI Recommendation Engine, to a wide range of "data-people connected" application scenarios based on AI algorithms, including online literature recommendation, digital marketing, online games publishing and other digital content. We generally use our Easou AI Recommendation Engine to collect, analyze, match or predict the demand and/or preferences of our users and customers to serve their various needs. Specifically, we utilize our Easou AI Recommendation Engine in the following aspects:

- *Online literature recommendation.* Effectively predict users' preferences, make dynamic adjustments to our recommendation strategies and intelligently recommend literary content that precisely meet their personalized needs. We launched our flagship product, Easou Reading App, in 2013 and Easou Reading App Light Version in 2017 to provide a large number of e-books with well-designed product functions featuring personalized reading experience for our users to cater to their different preferences;
- *Digital marketing.* Collect, analyze and predict users' appetite for advertising contents and match the needs of our advertising customers for accurate advertisement placements with suitable third-party advertising channels. Our proprietary intelligent advertising platform, Win Ads, serves as the core platform connecting the demands of our advertising customers and suitable advertising space on cooperative media;
- *Online games publishing.* Identify online games with high commercial value and strong market performance, and publish and recommend such games to suitable users based on our analysis of user behaviors and their game category or content preferences; and
- *Other digital content.* Recommend value-added services of telecommunications operators, including various types of digital content such as music and ringback tones, to help them reach target users.

## SUMMARY

Our AI-based recommendation technology is the foundation that powers all of our businesses. We are committed to continuously improving the AI-based recommendation technology and have adopted a variety of AI algorithms that integrate advanced AI technologies, such as machine learning and deep learning with digital content and user behavior features. Through our dedicated R&D efforts in AI-based recommendation technology, we have developed Easou AI Recommendation Engine consisting of six layers. Below is a diagram illustrating the overall structure of our six-layer Easou AI Recommendation Engine. Please refer to “Business – Technology” in this document for details.



Note(s):

- (1) We intend to expand our application layer to cover other application scenarios in the future.
- (2) We plan to use AIGC to generate digital content in our underlying data layer.

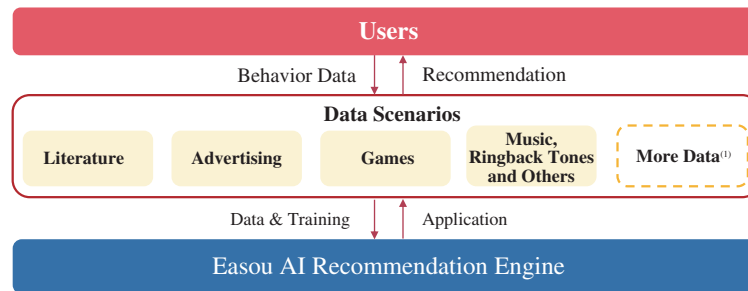
We have a large user base. The number of our cumulative registered users of our Easou Reading App Series was 44.0 million as of September 30, 2022. The level of our user activity on our platform has been increasing during the Track Record Period. Our average MAU on our Easou Reading App Series increased from 21.1 million in 2020 to 23.9 million in 2021, and further to 25.5 million in the nine months ended September 30, 2022. Our ARPPU per month on our Easou Reading App Series was RMB35.7, RMB45.2 and RMB56.9 in 2020, 2021 and the nine months ended September 30, 2022, respectively.

## SUMMARY

We experienced steady growth during the Track Record Period. Our revenue increased from RMB410.1 million in 2020 to RMB433.1 million in 2021. It also increased from RMB314.7 million in the nine months ended September 30, 2021 to RMB332.6 million in the nine months ended September 30, 2022. Our net profit margin was 7.6%, 11.5%, 11.3% and 9.0% for the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, respectively. We believe we will be able to capitalize on the opportunities arising from the advances in AI-based recommendation technology and maintain our business growth.

## OUR BUSINESS MODEL

We primarily engage in the R&D of our proprietary intelligent recommendation engine, Easou AI Recommendation Engine, and are dedicated to the application of such engine to a wide range of “data-people connected” application scenarios. We have successfully applied our Easou AI Recommendation Engine to four application scenarios, including online literature recommendation services, digital marketing services, online games publishing services and other digital content services. The following diagram sets forth an illustration of our business model:



*Note:*

- (1) We are exploring business opportunities for the application of our Easou AI Recommendation Engine in additional “data-people connected” application scenarios.

With respect to our online literature recommendation services, we use our Easou AI Recommendation Engine to analyze user behaviors and their willingness to pay for online literature. We recommend suitable online literary content to users through two monetization models, namely, paid online reading model and free online reading model. We have successfully developed a series of mobile application products, which primarily include Easou Reading App and Easou Reading App Light Version, as well as Easou H5 Pages to cover various usage scenarios. According to Analysys, our Easou Reading App was the largest independent third-party online literature platform in China in terms of revenue and average MAU in 2021. In China’s online literature market, our Easou Reading App ranked fifth in terms of average MAU in 2021. Among the top 10 Apps in terms of average MAU in China’s online literature market in 2021, our Easou Reading App ranked fourth in terms of per capita daily usage time.

---

## SUMMARY

---

With respect to our digital marketing services, leveraging our Easou AI Recommendation Engine, we provide customized marketing services through external online channels based on our analysis of the needs of our advertising customers and automatically match their needs with users' appetite for advertising content on our own and third-party advertising channels. We developed our digital marketing services through our proprietary advertisement platform, Win Ads, which consists of an algorithm strategy system built on several AI recommendation algorithm models according to the demands of our advertising customers and the characteristics of the advertising space available on cooperative media.

With respect to our online games publishing services, we cooperate with game content providers, and publish and recommend game content to users based on our analysis of user behaviors and their game category or content preferences. Historically, we have successfully brought several online games to the market, such as Age of Empires (帝王世紀) in 2016, The Bold and The Beauty (愛江山更愛美人) in 2019 and Campus Belle Factory (校花夢工廠) in 2019. In particular, the Bold and The Beauty game received market recognition after its launch, which was evidenced by a growing user base and high user engagement. In 2019 and 2020, the number of newly registered users were 13.1 million and 2.4 million, respectively, and the ARPPU per year were RMB253.6 and RMB450.1 for the same years, respectively. The average DAU were more than 418,000 and 220,000 in 2019 and 2020, respectively.

With respect to our other digital content services, we primarily cooperate with telecommunications operators through either the channel cooperation model or the content cooperation model, and recommend value-added digital content, such as ring back tones and music, to users based on our analysis of user behaviors and their content preferences and willingness to pay. For further details of our business model, please refer to the section headed "Business – Our Business Model" in this document.

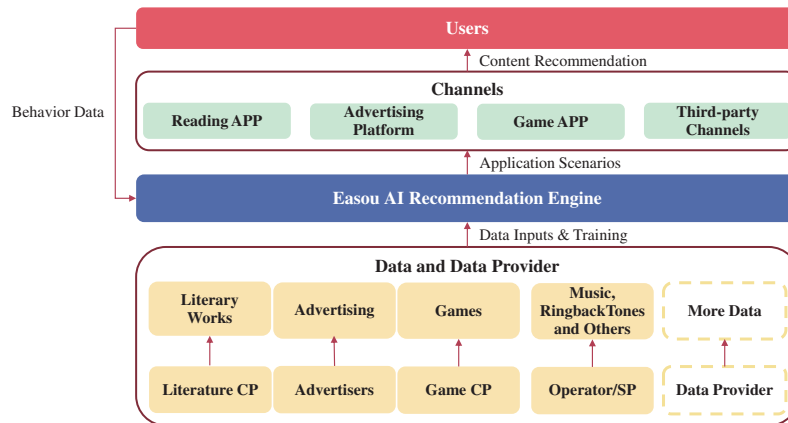
We have achieved diversified commercialization, which primarily includes subscription, pay per use, advertising income and revenue sharing, among others. The details of our diversified monetization model for our various business lines are as follows:

- *Online literature recommendation services.* We generate revenue primarily through paid readership, such as subscription and pay per use, from our users under the paid online reading model, or advertisements displayed in the literary resources from our advertising customers in connection with our free online reading model;
- *Digital marketing services.* We generally cooperate with advertising customers based on relevant framework agreements to generate advertising income and charge them on CPC basis, CPM basis, CPA basis or other bases;
- *Online games publishing services.* We generally charge users for their in-game purchases of virtual items and then share a portion of the income with third-party game content providers (i.e., revenue sharing); and
- *Other digital content services.* After receiving income settlement from the users, the third-party value-added content providers we cooperate with will subsequently settle such income with us (i.e., revenue sharing) based on agreed-upon proportions.

## SUMMARY

### OUR ECOSYSTEM AND PRODUCTS

We have built an online ecosystem around our Easou AI Recommendation Engine, a user base with high engagement and diversified digital content. Our ecosystem connects cross-scenario digital content, involves various participants, such as digital content providers, media channels, users, advertising customers and telecommunications operators, and enables them to interact with each other. This allows us to achieve synergy across our various business lines and helps us realize diversified monetization. The following diagram illustrates our online ecosystem:



Our platform primarily consists of following three types of proprietary products:

- *Easou Reading App Series.* We mainly rely on the Easou Reading App Series to conduct our online literature recommendation services. Our flagship application, Easou Reading App, was launched in 2013 and provides a large number of original e-books with well-designed product functions featuring personalized reading experience for our users, such as audiobooks and eye-care reading mode. In 2017, we launched Easou Reading App Light Version to cater to different user needs, usage scenarios and expand our user acquisition channels.
- *Easou H5 Pages.* Easou H5 Pages serve as a supplemental channel for mobile-end users, which allows us to reach out to users not covered by our Easou Reading App Series.
- *Win Ads.* Win Ads is our proprietary intelligent advertising platform that serves as the core platform for our digital marketing services. It is primarily composed of three core modules: a DSP, an SSP and an algorithm strategy system, which are used collectively by us to achieve more accurate multi-matching of advertising customers and media. For further details, please refer to the section headed “Business – Our Ecosystem and Products – Our Proprietary Products” in this document.

---

## SUMMARY

---

### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to the success of our business and facilitate our future development:

- We are a technology-driven mobile internet company dedicated to the research, development and application of our Easou AI Recommendation Engine;
- We have successfully applied our Easou AI Recommendation Engine to a number of “data-people connected” application scenarios;
- We operate the largest independent third-party online literature platform in China, and provide users with fair, accurate and personalized online literature recommendation services through our Easou AI Recommendation Engine;
- As an independent third-party platform that connects content providers and users, we have built an ecosystem of mutually beneficial businesses and achieved multi-level monetization of our proprietary platform traffic;
- We have formed a virtuous cycle to optimize our Easou AI Recommendation Engine by leveraging a large amount of user behavior data generated from our increasing user traffic and user base with high engagement; and
- Our visionary management team possesses the execution capability and deep understanding and insights into technology development and evolving industry trends.

### OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to facilitate our future development:

- Increase investment in R&D to maintain long-term technological advantage;
- Further tap the potential of online literature industry, especially the market in low-tier regions in China, to increase our market share and improve our operating metrics;
- Continue to leverage the capability of our Easou AI Recommendation Engine to increase the business scale of our digital marketing services;
- Resume online games publishing services and simultaneously operate in domestic and overseas markets; and
- Extend the application scenarios of our Easou AI Recommendation Engine and actively explore cutting-edge technologies to keep up with the prevalent technological trends, such as AIGC, metaverse games and NFT.

---

## SUMMARY

---

### CUSTOMERS

Our customers primarily consist of (i) users of our online literature recommendation services and our online games publishing services and usually make payments through third-party payment channels; and (ii) advertising customers for our online literature recommendation services and digital marketing services. For the years ended December 31, 2020 and 2021, and the nine months ended September 30, 2022, revenue from our five largest customers amounted to approximately RMB127.1 million, RMB143.3 million and RMB97.0 million, respectively, accounting for approximately 31.0%, 33.1% and 29.2%, respectively, of our total revenue. For the same periods, revenue from our largest customer amounted to RMB44.9 million, RMB41.4 million and RMB22.5 million, respectively, accounting for approximately 10.9%, 9.6% and 6.8%, respectively. During the Track Record Period, all of our five largest customers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date. Please see “Business – Customers” for details.

### SUPPLIERS

Our suppliers primarily consist of (i) content suppliers, including suppliers for literary content and game content; (ii) internet traffic suppliers, including suppliers for business promotion and advertising; and (iii) other product or service suppliers, such as suppliers for bandwidth services and servers and third-party payment service providers. For the years ended December 31, 2020 and 2021 and nine months ended September 30, 2022, purchases from our five largest suppliers amounted to approximately RMB106.7 million, RMB115.6 million and RMB105.3 million, respectively, accounting for approximately 35.3%, 35.3% and 42.2%, respectively, of our total purchases. For the same periods, purchases from our largest suppliers amounted to RMB28.4 million, RMB28.6 million and RMB32.4 million, respectively, accounting for approximately 9.4%, 8.7% and 13.0%, respectively. During the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date. Please see “Business – Suppliers” for details.

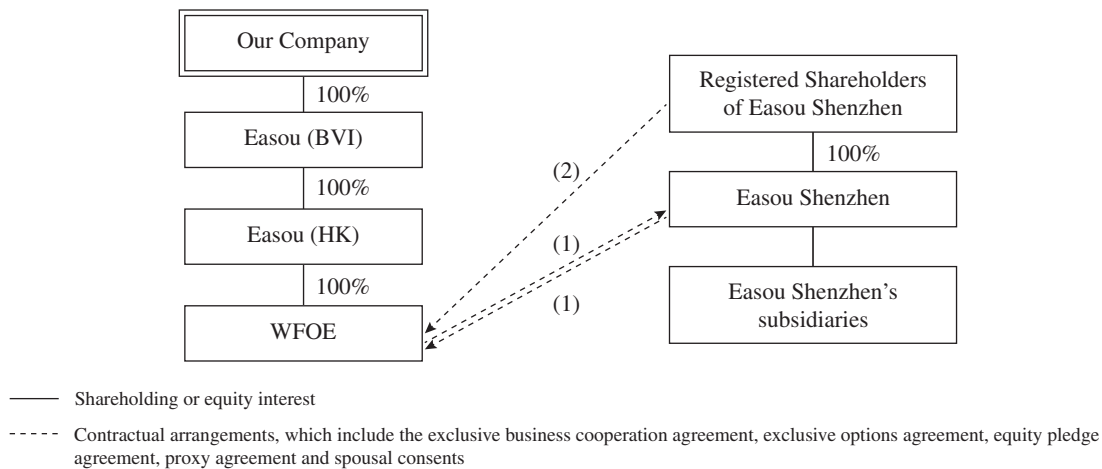
### CONTRACTUAL ARRANGEMENTS

Our Company operates or intends to operate certain businesses that are subject to restrictions and/or prohibitions under the 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 December 31, 2022.



## SUMMARY

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group under the Contractual Arrangements:



*Notes:*

- (1) Pursuant to an exclusive business cooperation agreement, WFOE shall provide technical support, consulting services and other services in exchange for a service fee from Easou Shenzhen.
- (2) Representing:
  - (a) an exclusive option agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the acquisition of all or part of the shares and/or assets in Easou Shenzhen;
  - (b) an equity pledge agreement executed by the Registered Shareholders of Easou Shenzhen, pursuant to which the Registered Shareholders of Easou Shenzhen granted security interests in favor of WFOE over the shares in Easou Shenzhen held by the Registered Shareholders of Easou Shenzhen;
  - (c) a proxy agreement executed by the Registered Shareholders of Easou Shenzhen in favor of WFOE for the exercise of all shareholders' rights in Easou Shenzhen; and
  - (d) the spousal consents executed by the spouse of each individual Registered Shareholder of Easou Shenzhen in favor of WFOE.

Given the principal business activities of the Consolidated Affiliated Entities as outlined below, the Consolidated Affiliated Entities operate in the foreign-prohibited business and foreign-restricted business under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) published by certain departments of the State Council (the "2021 Negative List"):

- (i) the principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu and Guangzhou Tianshitong involve the operation of online entertainment, including publication of games and music, whereas the principal business of Shenzhen Eayou, Guangzhou Ledian, Easou Beijing, Shenzhen Taite, Shanghai Yinggao and Shenzhen New Drive involve internet cultural activities, including but not limited to online advertising or online literature recommendation, which fall within the scope of internet cultural business;
- (ii) the principal businesses of Easou Shenzhen and Beijing Yike involve the publication of online games or digitized works with characteristics of publishing, which fall within the scope of internet publishing business; and



---

## SUMMARY

---

- (iii) the principal businesses of Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Chuangtu, Beijing Yike, Shenzhen Eayou, Shenzhen New Drive, Shenzhen Taite and Easou Beijing involve internet information services provided through mobile and websites, which fall within the scope of value-added telecommunication services.

Given that Easou Shenzhen, Shenzhen Dahuatong, Shenzhen Eayou, Shenzhen Chuangtu, Easou Beijing, Beijing Yike, Shenzhen Taite, Guangzhou Tianshitong, Shenzhen New Drive, Guangzhou Ledian and Shanghai Yinggao (i.e., the Consolidated Affiliated Entities) operate in the foreign-prohibited business and foreign-restricted business under the current PRC laws and regulations, our Company would not be currently allowed to hold any equity interest in these companies. 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. 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 further details, please see "Contractual Arrangements" in this document.

## OUR SINGLE LARGEST SHAREHOLDERS

Immediately following completion of the [REDACTED] (assuming full conversion of the Pre-[REDACTED] Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), Mr. Wang, through Growth Value, Fase Ltd and Gather Forever, will control the exercise of voting rights attached to Shares representing approximately [REDACTED]% of the issued share capital of our Company at general meetings of our Company.

Growth Value is controlled by Mr. Wang as, upon the establishment of The Hope Trust, it will be owned as to (i) 99% by Gather Forever, which is in turn wholly-owned by CMB Wing Lung (Trustee) Ltd. (the trustee of The Hope Trust); and (ii) 1% by Fase Ltd, which is wholly-owned by Mr. Wang. The Hope Trust is an irrevocable reserved power trust established by Mr. Wang, as the settlor and protector, with CMB Wing Lung (Trustee) Ltd., an independent trustee, as trustee, for the benefit of Mr. Wang, Mr. Wang's spouse and daughters. Accordingly, Mr. Wang, Growth Value, Fase Ltd and Gather Forever will continue to be our Single Largest Shareholders, and our Company will not have any controlling shareholder upon completion of the [REDACTED].

## PRE-[REDACTED] INVESTMENTS

SBCVC Fund III, BlueSky Holding, Estate Success, Ventech China II SICAR, Shenzhen Lihe Partnership, Shenzhen Lihe, Mr. Ding and Jinhe Capital Limited are regarded as pre-[REDACTED] investors of our Company. Please see "History, Reorganization and Corporate Structure – The 2023 Subscription and the Pre-[REDACTED] Investments" in this document for details of the background of the Pre-[REDACTED] Investors.

As of the Latest Practicable Date, the Pre-[REDACTED] Investors held approximately 24.94% of our issued share capital. Immediately following completion of the [REDACTED], the Pre-[REDACTED] Investors will hold approximately [REDACTED]% of our total issued share capital (assuming full conversion of the Pre-[REDACTED] Preferred Shares and without taking into account any Shares which may be issued upon the exercise of the [REDACTED] or any

## SUMMARY

options which may be granted under the Share Option Scheme). All the special rights granted will be automatically terminated immediately upon the [REDACTED]. [The Shares held by the Pre-[REDACTED] Investors are subject to a lock-up period of six months commencing from the [REDACTED], subject to customary exceptions such as pledging to an authorized financial institution or with the written consent of our Company.]

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our combined financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document. The summary of combined financial information set forth below should be read together with, and qualified in its entirety by reference to, the combined financial statements in this document, including the related notes. Our combined financial information was prepared in accordance with HKFRSs.

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

The table below presents a summary of our combined statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	(unaudited)			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue . . . . .	410,089	100.0	433,108	100.0	314,704	100.0	332,570	100.0
Cost of sales . . . . .	(196,079)	(47.8)	(224,416)	(51.8)	(159,757)	(50.8)	(159,801)	(48.1)
Gross profit . . . . .	214,010	52.2	208,692	48.2	154,947	49.2	172,769	51.9
Other income and gains . . . . .	13,659	3.3	11,531	2.7	9,276	2.9	4,798	1.4
Selling and distribution expenses . . . . .	(121,714)	(29.7)	(99,270)	(22.9)	(75,260)	(23.9)	(98,824)	(29.7)
Administrative expenses . . . . .	(21,676)	(5.3)	(18,642)	(4.3)	(13,863)	(4.4)	(13,836)	(4.2)
Research and development expenses . . . . .	(54,047)	(13.2)	(50,951)	(11.8)	(38,801)	(12.3)	(28,709)	(8.6)
Other expenses . . . . .	(485)	(0.1)	(580)	(0.1)	(193)	(0.1)	(5,801)	(1.7)
Finance costs . . . . .	(799)	(0.2)	(305)	(0.1)	(300)	(0.1)	(1,209)	(0.4)
<b>Profit before tax . . . . .</b>	<b>28,948</b>	<b>7.1</b>	<b>50,475</b>	<b>11.7</b>	<b>35,806</b>	<b>11.4</b>	<b>29,188</b>	<b>8.8</b>
Income tax credit/(expenses) . .	2,357	0.6	(464)	(0.1)	(299)	(0.1)	812	0.2
<b>Profit and total comprehensive income for the year/period . . . . .</b>	<b>31,305</b>	<b>7.6</b>	<b>50,011</b>	<b>11.5</b>	<b>35,507</b>	<b>11.3</b>	<b>30,000</b>	<b>9.0</b>
Attributable to:								
Owners of our Company. . . .	31,305	7.6	49,983	11.5	35,459	11.3	29,949	9.0
Non-controlling interests . . .	—	—	28	*	48	*	51	*

\* Less than 0.1%

## SUMMARY

For the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our revenue amounted to RMB410.1 million, RMB433.1 million, RMB314.7 million and RMB332.6 million, respectively. During the Track Record Period, we generated revenue from four business lines, namely, online literature recommendation services, digital marketing services, online games publishing services and other digital content recommendation services. The increase in our revenue during the Track Record Period was mainly due to increased revenue from online literature recommendation services business and digital marketing services business.

The following table sets forth revenue attributable to each of our four business lines for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2020		2021		2021		2022	
					(unaudited)			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Online literature recommendation services								
– Paid online reading recommendation . . . . .	55,013	13.4	32,173	7.4	24,439	7.8	20,455	6.2
– Free online reading Recommendation with advertising . . . . .	130,421	31.8	185,959	42.9	137,763	43.8	156,422	47.0
Sub-total . . . . .	185,434	45.2	218,132	50.4	162,202	51.6	176,877	53.2
Digital marketing services. . . . .	153,338	37.4	201,607	46.5	141,395	44.9	148,162	44.6
Online games publishing services . . . . .	48,440	11.8	4,330	1.0	4,235	1.3	3,707	1.1
Other digital content recommendation services . . . . .	22,877	5.6	9,039	2.1	6,872	2.2	3,824	1.1
<b>Total . . . . .</b>	<b>410,089</b>	<b>100.0</b>	<b>433,108</b>	<b>100.0</b>	<b>314,704</b>	<b>100.0</b>	<b>332,570</b>	<b>100.0</b>

The table below sets forth the gross profit and gross profit margin by our business lines for the periods indicated:

	For the year ended December 31,				For the nine months ended September 30,			
	2020		2021		2021		2022	
					(unaudited)			
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Online literature recommendation services . . . . .	145,906	78.7	184,488	84.6	136,534	84.2	156,593	88.5
Digital marketing services . . . . .	12,101	7.9	15,787	7.8	11,169	7.9	11,818	8.0
Online games publishing services . . . . .	45,481	93.9	4,048	93.5	3,996	94.4	2,519	68.0
Other digital content recommendation services . . . . .	10,522	46.0	4,369	48.3	3,248	47.3	1,839	48.1
<b>Total . . . . .</b>	<b>214,010</b>	<b>52.2</b>	<b>208,692</b>	<b>48.2</b>	<b>154,947</b>	<b>49.2</b>	<b>172,769</b>	<b>51.9</b>

## SUMMARY

For the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our gross profit amounted to RMB214.0 million, RMB208.7 million, RMB154.9 million and RMB172.8 million, respectively. During the same periods, our gross profit margin was 52.2%, 48.2%, 49.2% and 51.9%, respectively. The decrease in our gross profit and gross profit margin from 2020 to 2021 was primarily because we suspended our online games publishing services in June 2020, which resulted in a significant decrease in the revenue generated from this business line and a decrease in our overall gross margin. The increase in our gross profit and gross profit margin from the nine months ended September 30, 2021 to the nine months ended September 30, 2022 was primarily due to an increase in the gross profit margin of online literature recommendation services in the nine months ended September 30, 2022.

### Summary of Combined Statements of Financial Position

	As of December 31,		As of September 30,
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Total non-current assets . . . . .	87,618	91,617	85,016
Total current assets . . . . .	293,907	313,330	317,729
<b>Total assets . . . . .</b>	<b>381,525</b>	<b>404,947</b>	<b>402,745</b>
Total non-current liabilities . . . . .	12,996	6,480	5,490
Total current liabilities . . . . .	69,125	48,552	116,983
<b>Total liabilities . . . . .</b>	<b>82,121</b>	<b>55,032</b>	<b>122,473</b>
<b>Net assets . . . . .</b>	<b>299,404</b>	<b>349,915</b>	<b>280,272</b>
<b>Total equity . . . . .</b>	<b>299,404</b>	<b>349,915</b>	<b>280,272</b>

As of December 31, 2020 and 2021 and September 30, 2022, our current assets amounted to RMB293.9 million, RMB313.3 million and RMB317.7 million, respectively. As of December 31, 2020 and 2021 and September 30, 2022, our current liabilities amounted to RMB69.1 million, RMB48.6 million and RMB117.0 million, respectively. The increase in our current assets during the Track Record Period was primarily due to an increase in trade receivables, which was mainly due to increased advertising income generated from our online literature recommendation services and digital marketing services. The fluctuation in our current liabilities during the Track Record Period was primarily due to combined effects of the fluctuations of interest-bearing bank borrowings, contract liabilities and other payables and accruals.

## SUMMARY

### Summary of Combined Statements of Cash Flows

	For the year ended December 31,		For the year ended September 30,	
	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
			(unaudited)	
<b>Cash generated from operations before changes in working capital</b> . . . . .	50,710	69,299	50,583	49,066
Net cash flows from/(used in) from operating activities . . . . .	(336)	50,952	(6,161)	(13,876)
Net cash flows from/(used in) from investing activities . . . . .	(6,002)	(22,430)	(7,585)	(93,275)
Net cash from/(used in) financing activities . . . . .	15,581	(20,265)	(20,227)	(19,282)
<b>Net increase/(decrease) in cash and cash equivalents</b> . . . . .	<b>9,243</b>	<b>8,257</b>	<b>(33,973)</b>	<b>(126,433)</b>
Cash and cash equivalents at the beginning of year/period . . . . .	197,460	206,703	206,703	214,960
<b>Cash and cash equivalents at the end of year/period</b> . . . . .	<b>206,703</b>	<b>214,960</b>	<b>172,730</b>	<b>88,527<sup>(1)</sup></b>
Cash and balances . . . . .	206,703	112,960	112,730	76,527
Non-pledge time deposits with original maturity of less than three months when acquired . . . . .	–	102,000	50,000	12,000
<b>Cash and cash equivalents as stated in the combined statements of financial position and combined statements of cash flows</b> . . . . .	<b>206,703</b>	<b>214,960</b>	<b>172,730</b>	<b>88,527<sup>(1)</sup></b>

Note:

- (1) Our cash and cash equivalents decreased substantially for the nine months ended September 30, 2022 compared to the same period in 2021 primarily due to a deemed distribution of RMB99.7 million to the then equity owners of our Group in connection with the Reorganization. For details, please referred to the sections headed "History, Reorganization and Corporate Structure – Reorganization" and "Financial Information – Description of Certain Key Items from Our Combined Statements of Financial Position" in this document.

## SUMMARY

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/For the year ended December 31,		As of/For the nine months ended September 30,
	2020	2021	2022
Net profit margin <sup>(1)</sup>	7.6%	11.5%	9.0%
Current ratio <sup>(2)</sup>	4.3	6.5	2.7 <sup>(5)</sup>
Gearing ratio <sup>(3)</sup>	6.7%	—	28.7% <sup>(6)</sup>
Return on equity <sup>(4)</sup>	10.5%	14.3%	N/A

#### Notes:

- (1) Net profit margin equals profit and total comprehensive income for the year/period divided by the revenue for the same year/period.
- (2) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.
- (3) Gearing ratio equals total debt as of the end of the year/period divided by total equity as of the end of the same year/period. Total debt includes all interest-bearing borrowings.
- (4) Return on equity equals net profit for the year divided by total equity as of the end of the year. Return on equity for nine months ended September 30, 2022 is not meaningful as it is not comparable to the annual figures.
- (5) Our current ratio decreased to 2.7 as of September 30, 2022 mainly because our current liabilities increased at a faster pace than our current assets. Our current liabilities increase mainly as a result of additional bank loans we borrowed to fund our working capital. Our current assets increased slightly primarily due to an increase in trade receivables and financial asset at FVTPL, partially offset by a decrease in our cash and cash equivalents mainly as a result of a deemed distribution to the then equity owners of our Group in connection with the Reorganization.
- (6) Our gearing ratio increased to 28.7% as of September 30, 2022 because we had outstanding bank loans of RMB80.5 million and there had been a deemed distribution to the then equity owners of our Group in connection with the Reorganization, which reduced our total equity.

### RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors” in this document. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the [REDACTED]. Some of the major risks that we face include:

- If our Easou AI Recommendation Engine fails to properly analyze and predict the users’ behaviors and preferences or to keep up with the technological changes, our business, results of operations, financial condition and prospects may be materially and adversely affected;

---

## SUMMARY

---

- The application scenarios of our Easou AI Recommendation Engine belong to separate and independent industries, and the developments in those industries could subject our business to risks, which makes it difficult to evaluate our business and prospects;
- If we fail to anticipate user/customer preferences and provide attractive services, or if we fail to keep up with rapid changes in user behavior or customer requirements, we may not be able to retain existing users, attract sufficient user traffic or enhance customer engagement;
- We operate in highly competitive industries. If we are unable to compete effectively against other industry players, our user and customer bases, market share and profitability may be materially and adversely affected;
- We do not produce proprietary digital content and primarily rely on third-party content providers of online literature, online games and other digital content to recommend to our users and customers; and
- Privacy and cybersecurity concerns relating to our use of user information, or any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.

### FUTURE PLANS AND USE OF [REDACTED]

The estimated net [REDACTED] of the [REDACTED] which we will receive after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] (assuming the [REDACTED] is not exercised), will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] (being the mid-point of the [REDACTED]). We intend to use the net [REDACTED] as follows (based on the mid-point of the [REDACTED] range stated in this document):

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to enhance our R&D capabilities to ensure long-term technological advantage;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to reinforce our strength as an independent third-party online literature platform;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand our digital marketing services;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to relaunch our online games publishing services; and
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and general corporate purposes to support our business operation and growth.

Please refer to “Future Plans and Use of [REDACTED]” in this document for details.



## SUMMARY

### [REDACTED] STATISTICS <sup>(1)</sup>

	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>(2)</sup> . . . . .	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted combined net tangible asset value per Share <sup>(3)</sup> . . . . .	HK\$[REDACTED]	HK\$[REDACTED]

#### Notes:

- (1) All statistics in this table are presented based on the assumption that the [REDACTED] is not exercised.
- (2) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED].
- (3) The unaudited [REDACTED] adjusted combined net tangible asset value per Share is calculated after the adjustments referred to in "Appendix II – Unaudited [REDACTED] Financial Information" to this document and on the basis of [REDACTED] Shares expected to be in issue and outstanding immediately following the completion of the [REDACTED].

### [REDACTED]

Our [REDACTED] mainly include [REDACTED] fees and commissions and professional fees paid to legal advisers and service providers for their services rendered in relation to the [REDACTED]. We expect to incur a total of RMB[REDACTED] million of [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED]. We estimate that approximately RMB[REDACTED] million will be charged to our profit or loss after September 30, 2022, and the remaining balance of approximately RMB[REDACTED] million is expected to be capitalized. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. For the year ended December 31, 2021 and the nine months ended September 30, 2022, we incurred total [REDACTED] of RMB7.1 million, of which RMB1.7 million was recorded as prepayment, and RMB2.1 million and RMB3.3 million were charged to our profit or loss for the year ended December 31, 2021 and the nine months ended September 30, 2022, respectively.

### DIVIDEND

No dividend has been paid or declared by other companies comprising our Group during the Track Record Period or our Company since its incorporation. Our Group currently does not have a pre-determined dividend policy. The Board may declare, and we may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim

---

## SUMMARY

---

dividends as our Board considers to be justified by our profits and overall financial requirements. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting. Please refer to the section headed "Financial Information – Dividends" in this document for more information.

## LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, there were certain pending legal proceedings involving two of our subsidiaries as disclosed in the section headed "Business – Legal Proceedings and Compliance – Legal Proceedings" in this document, which would not, individually or in the aggregate, have any material adverse effect on our Group's business, financial condition or results of operations. Our Directors confirmed that there had been no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our business, financial condition or results of operations. Our Directors are also of the view that we have complied with all relevant laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material adverse impact on our business, financial condition and results of operations.

## RECENT DEVELOPMENT

As part of our strategies in our online games publishing services, we officially launched our first overseas online game, Civilization (文明), in October 2022 in the United States, Germany and Italy, and have started to generate revenue from this game.

The successful debut of ChatGPT in late 2022 has brought AI closer to our daily life. Like other generative AI tools, ChatGPT is a subset of AIGC. AIGC uses AI algorithms to create cross-modal content, including audio, code, image, text and video, among others, that usually contain inner logic such as plots and strategies. More relevant to our AI-based online ecosystem, AIGC can usher a fundamental change in content creation. We have accumulated years of R&D in the application of AI technologies, and will leverage our experience to utilize AI technologies to create literary works.

In addition, on February 17, 2023, the CSRC, as approved by the State Council, released new rules for the filing-based administration of overseas securities offerings and listings by Chinese domestic companies (the "New Filing Rules"). The New Filing Rules represent a remarkable endeavor by the regulators to seek a balance between permitting Chinese companies to continue overseas listing and fundraising in a smooth manner, and the safeguarding of fundamental national interests and implementation of policies of China. In the meantime, the New Filing Rules signal a new era of unified filing system for overseas offerings and listings by Chinese companies. The New Filing Rules will come into effect on March 31, 2023, and the CSRC will begin to accept

---

## SUMMARY

---

filing applications on that date. Subject to the New Filing Rules, we are required to go through the filing procedures with the CSRC after the submission of our application for the [REDACTED] to the Stock Exchange and to obtain the CSRC approval with respect to the [REDACTED].

### NO MATERIAL CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since September 30, 2022 (being the date on which the latest combined financial information of our Group was prepared) and there is no event since September 30, 2022 which would materially affect the information shown in our combined financial statements included in the Accountants' Report in Appendix I to this document.

### IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, there has been an outbreak of the novel coronavirus, COVID-19, across the world. On January 30, 2020, the World Health Organization declared that the outbreak of COVID-19 constitutes a Public Health Emergency of International Concern (PHEIC). In February and March 2020, an increasing number of additional cases were confirmed around the world. In March 2020, the World Health Organization declared the coronavirus disease, or COVID-19, as a global pandemic. The outbreak of the COVID-19 pandemic has endangered the health of many people and significantly disrupted travel and economy. In China, the COVID-19 outbreak peaked during the period between January 2020 and March 2020, after which the Chinese society and market has gradually recovered and normalized. Since April 2020, China and some other countries have gradually lifted stay-at-home orders and began to resume work at varying levels and scopes, and have introduced various policies to boost the economy while continually taking various measures to reduce potential spread and impact of infection. Since the outbreak of COVID-19 pandemic, the local governments of various provinces and cities in which we operate have introduced a series of measures in order to prevent or control the epidemic.

Since late May 2021 until the Latest Practicable Date, new regional COVID-19 outbreaks have hit certain areas in China, which subsequently spread to several other cities, such as Beijing, Shenzhen, Shanghai, Chengdu and Guangzhou. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions, temporary city lock-down and mandate of temporary shutdown of business operations and public traffic control across certain regions. Due to the outbreak of Omicron variant, major cities in China, including Beijing, Shenzhen, Shanghai, Chengdu and Guangzhou, announced a series of temporary lockdowns since the first quarter of 2022.

The PRC government gradually eased restrictive measures on business and social activities in December 2022, and re-opened the borders and eliminated mandatory quarantine requirements on January 8, 2023. Since the ease of COVID-19 restrictions in December 2022, there had been a rapid progression of the COVID-19 infections in China.

Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our operations had not experienced any material suspension due to the COVID-19 pandemic. Our Directors confirm that our business and financial performances were not materially and adversely impacted by the COVID-19 pandemic. As of the Latest Practicable Date, our services, marketing and business operation of our Group remained stable and normal. Furthermore, on the basis of actions taken to date, our Directors believe that we have

---

## SUMMARY

---

demonstrated our ability to respond swiftly in these emergency circumstances and that the overall impact of COVID-19 on us was limited. Please refer to the section headed “Business – Impact of COVID-19 Pandemic” in this document for more information.