

BUSINESS

OVERVIEW

Mission

Better content, better life (更好內容，更好生活).

Vision

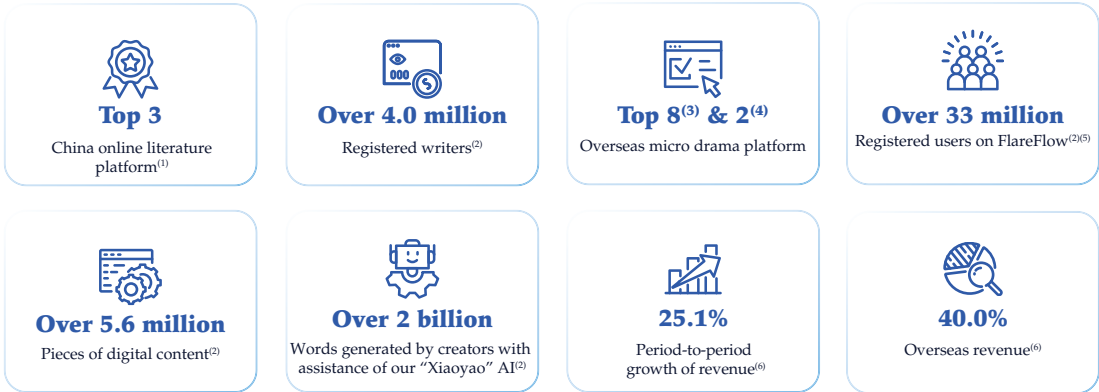
Build a sustainable organization, create a cultural universe (打造百年組織，創造文化宇宙).

Who We Are

We are a leading AI-driven digital entertainment platform, primarily providing (i) online literature content in China and (ii) micro dramas overseas. We strive to build a next-generation, full-industry-chain digital content ecosystem. According to Frost & Sullivan, we ranked 3rd among the copyright-driven content platforms in China online literature market in terms of revenue in 2024, with a market share of 1.6%; and among overseas micro drama platforms, we ranked 8th by revenue in September 2025 and 2nd in terms of the MAUs during the initial seven-month period following launch.

We were founded in 2000 and listed on the ChiNext Board of the Shenzhen Stock Exchange in January 2015 (stock code: 300364), positioning us as the first digital publishing company listed on the A-share market. Over 25 years, we have amassed a vast library of original digital content and a rich network of creators, forming our formidable competitive moat. Leveraging our evolving technology and innovation capabilities, particularly application of AI technology, we have successfully transformed from a digital publishing company to a content leader in the AI era. We empower our diverse content formats including online literature, audiobooks, comics, AI motion comics, animations and micro dramas with AI technology, expanding our business footprint from China to the world. We connect renowned creators, publishers, distribution channels and global users, building an AI-driven business encompassing content creation, IP incubation, IP development and operation across multiple formats as well as global distribution. This allows us to constantly deliver high-quality digital content to users worldwide.

The following diagram illustrates the key business highlights we have achieved:



Notes:

- (1) In terms of revenue in 2024 among the copyright-driven content platforms in China online literature market, according to Frost & Sullivan.
- (2) Cumulative figure as of the Latest Practicable Date.
- (3) In terms of the revenue in September 2025, according to Frost & Sullivan.
- (4) In terms of the MAUs during the initial seven-month period following launch, according to Frost & Sullivan.
- (5) FlareFlow is our flagship overseas micro drama platform.
- (6) In the nine months ended September 30, 2025.

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Note:

(1) Cumulative figure as of the Latest Practicable Date.

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As a leading digital entertainment platform, we are committed to promoting the integration of technology and content to create “Better Content, Better Life”. To this end, we primarily focus on the following core businesses:

- **Online literature and related business:** We possess an abundant digital content library, with over 5.6 million pieces of digital content as of the Latest Practicable Date, primarily consisting of online literature works. Through years of accumulation, we have also amassed extensive audio content, most of which is adapted from our online literature works. We primarily provide users with rich online literature and audio content through diverse third-party channels as well as our proprietary platforms. In addition, we also generate revenue from license of our online literature works and provision of digital data in relation to our online literature works. This core business contributed to revenue of RMB480.1 million in the nine months ended September 30, 2025, accounting for 47.5% of our total revenue.
- **Micro dramas and IP derivatives business:** We were among the first companies in China to produce and distribute micro dramas, starting as early as 2021. In 2022, we achieved remarkable success in terms of micro dramas, making us one of the few companies in the PRC to reach the milestone of RMB 100 million revenue. Since 2022, we have leveraged our abundant digital content and valuable intellectual property to pioneer the overseas micro drama market, consistently producing high-quality micro dramas that deeply engage local audiences. In the nine months ended September 30, 2025, our revenue generated from micro drama and IP derivatives business grew rapidly, reaching RMB474.1 million, with a period-on-period increase of 62.9%. As of the Latest Practicable Date, our overseas micro drama app, FlareFlow, previously achieved top one on daily rankings in the U.S. region of the free entertainment app charts of leading mobile app stores. It now boasts over 33 million registered users and features around 5,200 micro drama series. In addition, we identify high-quality IPs from our digital content library and IP reserves for subsequent operation and adaptation into multiple formats, including comics, AI motion comics, animations, micro dramas, films, and accessories, recording revenue from such IP derivatives.

With our AI technology application capabilities, our abundant digital content library serves as the foundation for the operation of our micro drama and IP derivative business. The integration of AI technology with our digital content enables us to develop and adapt micro dramas and IP derivatives across multiple formats in an efficient and cost-effective way.

Our Market Opportunities

Digital entertainment industry: According to Frost & Sullivan, the market size of the global digital entertainment is expected to increase from RMB2,511.7 billion in 2024 to RMB4,392.5 billion in 2029, representing a CAGR of 11.8%; and China’s digital entertainment market is forecasted to grow from RMB609.6 billion in 2024 to RMB1,083.2 billion in 2029, with a CAGR of 12.2%.

Online literature market: According to Frost & Sullivan, the global online literature market maintains its growth momentum, rising from RMB50.0 billion in 2024 to RMB79.8 billion in 2029, reflecting a CAGR of 9.8%; and China’s online literature market is projected to increase from RMB42.5 billion in 2024 to RMB61.9 billion in 2029 with a CAGR of 7.8%, indicating the domestic market is approaching a more mature stage. Despite the maturity of China’s online literature market, the rest of the world markets remain at the early stage of development with substantial growth potential, driven by rapidly increasing user penetration, diversified content genres, and ongoing improvements in AI-driven translation and localization capabilities.

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Micro drama market: According to Frost & Sullivan, the overseas micro drama market remains at the early stage of development and is projected to expand from RMB14.0 billion in 2024 to RMB120.8 billion in 2029, with a CAGR of 53.9%; and as domestic production systems mature and monetization frameworks become more sophisticated, the market size of China’s micro drama market is expected to expand from RMB46.4 billion in 2024 to RMB150.4 billion in 2029, with a CAGR of 26.5%.

The foregoing favorable market trends present us with ample growth opportunities. Leveraging our leading market position, abundant digital content library and AI technology application capabilities, we are well positioned to capture the vast opportunities in these markets and further solidify our growth potential.

Our Capabilities in Application of AI Technology

According to Frost & Sullivan, we are one of the pioneers in developing and applying AI technology in the digital entertainment industry. Building on years of technology accumulation and our abundant digital content resources, we launched Chinese version of our “Xiaoyao” AI in October 2023, followed by the release of its English version in June 2025. Our “Xiaoyao” AI is a content production platform possessing capabilities of creative generation, translation and in-depth analysis of content in multi-language settings. As of the Latest Practicable Date, our “Xiaoyao” AI has been utilized by over 50,000 content creators across more than 90 countries and regions, assisting them in producing over 2 billion words of content. We have deeply integrated our “Xiaoyao” AI and other AI technology into multiple key processes of our business from production to monetization. As of the Latest Practicable Date, we have utilized AI technology in the production of over 50,000 literary works, more than 250 AI motion comics and over 200,000 hours of audio content. In addition, with our self-developed AI agent, comprising our “Xiaoyao” AI and a suite of AIGC tools, we have achieved automatic generation of promotion materials and advertising placement strategies for our content. Meanwhile, our AI agent has promoted over 27,000 titles of our literary works, increasing the average daily readership of high-quality literary content by more than 48 times, raising the average daily reading time of our paying readers by over 20% and enhancing our placement efficiency by over 20 times in terms of average daily number of advertisement managed per person as compared with traditional non-AI processes.

Our Content Distribution Channels

Our content distribution channels primarily include online reading platforms, audio platforms, micro drama platforms and other video platforms. For distribution of our high-quality content, we have cooperated with leading online reading platforms such as Fanqie (番茄), Qimao (七貓), Qidan (起點), QQ Reading (QQ閱讀), Weread (微信閱讀) and Wo Reading (沃閱讀), renowned audio platforms including Ximalaya (喜馬拉雅), QQ Music (QQ音樂), Kuwo Music (酷我音樂) and Kugou Music (酷狗音樂), top-tier micro drama platforms like Hongguo (紅果), and leading video platforms including iQIYI (愛奇藝).

Our Financial Performance

In the nine months ended September 30, 2025, our total revenue was RMB1,011.0 million. Revenue from our online literature and related business and micro dramas and IP derivatives business amounted to RMB480.1 million and RMB474.1 million, respectively, accounting for 47.5% and 46.9% of our total revenue.

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OUR COMPETITIVE STRENGTHS

As an AI-driven pioneer and leader in the digital entertainment industry, we have established the following competitive strengths, forming our deep competitive moat:

A Leading Digital Entertainment Platform, Well Poised to Capitalize on Vast Market Opportunities

We are a leading digital entertainment platform, enjoying vast potential market opportunities of RMB4,392.5 billion in 2029 with our abundant original digital content library, as well as our robust capabilities in application of AI technology and development of IPs across multiple formats.

According to Frost & Sullivan, the global digital entertainment market is growing rapidly, with its size projected to increase from RMB2,511.7 billion in 2024 to RMB4,392.5 billion in 2029, representing a CAGR of 11.8%. Among them, the China online literature market is growing steadily, expected to expand from RMB42.5 billion in 2024 to RMB61.9 billion in 2029 with a CAGR of 7.8%. The overseas micro drama market, still in its early development stages, is expected to grow significantly from RMB14.0 billion in 2024 to RMB120.8 billion in 2029, achieving a CAGR of 53.9%.

The rapidly expanding global digital entertainment market offers significant opportunities, and we are well positioned to capitalize on them due to our strong market standing. According to Frost & Sullivan, we ranked 3rd among copyright-driven content platforms in China online literature market by revenue in 2024, holding a 1.6% market share. Furthermore, among overseas micro drama platforms, we ranked 8th by revenue in September 2025 and 2nd in terms of the MAUs during the initial seven-months period following launch.

As a pioneer in China digital entertainment industry for over 25 years, we have accumulated extensive content resources, integrated AI across our content production to monetization processes, and established a comprehensive IP development system encompassing online literature, audiobooks, comics, AI motion comics, animations, micro dramas, films, and accessories. These core strengths, combined with our leading market position, empower us to seize vast opportunities in the global digital entertainment market and continuously bolster our growth and competitive advantages.

Deep Integration of AI Technology, Driving Efficiency across Business Value Chain and Forging a New Engine for Future Growth

We believe AI technology is essential for consolidating our leading position in the digital entertainment industry, and we have comprehensively integrated AI technology into all key processes of our business. According to Frost & Sullivan, we are one of the pioneers in developing AI technology in this industry, with the most advanced AI application capabilities and the deepest integrations of AI technology into business operations.

Our Proprietary “Xiaoyao” AI

As an AI-driven digital entertainment platform, we recognized the transformative impact of technology on the entire industry and our operations even before the launch of general-purpose LLMs. In October 2023, we launched Chinese version of our “Xiaoyao” AI which is a content production platform, followed by the release of its English version in June 2025. Through continuous iteration, our “Xiaoyao” AI now features the functions such as generating novels from a single image or sentence, processing and analyzing novels of up to one million words, novel-to-script conversion and one-click translation. These functions provide comprehensive AI-assisted writing solutions for global creators, constantly enhancing their production efficiency. As of the Latest Practicable Date, our “Xiaoyao” AI had been utilized by over 50,000 content creators across more than 90 countries and regions, assisting them to produce over 2 billion words of content.

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AI Empowerment across Business Value Chain

In addition, leveraging years of technology accumulation and innovation, we have deeply integrated our “Xiaoyao” AI and other AI tools into key processes of our business, achieving AI empowerment from production to monetization.

- *IP assessment and screening:* By integrating data-driven insights from our AI-empowered content platforms with our deep industry expertise, we carry out comprehensive assessments of our digital content library to screen out high commercial potential IPs, which are then shortlisted for subsequent IP development plans, spanning from literature to audiobooks, comics, AI motion comics, animations, micro dramas, films and accessories.
- *Content generation:* We utilize our AI technology to empower core content production processes, enhancing efficiency and reducing costs. As of the Latest Practicable Date, we have utilized AI technology in the production of over 50,000 literary works, more than 250 AI motion comics and over 200,000 hours of audio content. For instance, in micro drama production, we deploy AI technology to empower subtitle translation and dubbing. We also use AI technology to generate high-visual-effect scenes that would otherwise require substantial production investment. For AI motion comics production, we have integrated our self-developed AI toolchain into key production process, covering script splitting, character modeling, and storyboard image and video generation, which have significantly reduced production time and costs compared to traditional production methods. As of the Latest Practicable Date, we have applied AI technology to cover 60% of our literary content production processes. This has driven a more than 40% increase in our production efficiency in terms of average daily word count generated and reduced our average translation costs by over 90% as compared with traditional non-AI processes.
- *Promotion material generation and placement:* With our self-developed AI agent, comprising our “Xiaoyao” AI and a suite of AIGC tools, we have achieved automatic generation of promotion materials and advertising placement strategies for our content. Our AI-agent features dynamic optimization of budget allocation, as well as real-time monitoring and intelligent intervention of placement, significantly enhancing the efficiency of our marketing efforts. As of the Latest Practicable Date, our AI agent has promoted over 27,000 titles of our literary works, increasing the average daily readership of high-quality literary works by more than 48 times, raising the average daily reading time of our paying readers by over 20% and enhancing our placement efficiency by more than 20 times in terms of average daily number of advertisement managed per person as compared with traditional non-AI processes.
- *Content recommendation:* Based on multi-dimensional information including viewing history, search record and consumption behaviors, the AI recommendation engine of our micro drama platform enables precise content recommendation, improving user experience as well as enhancing user stickiness and platform retention rates.

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A Pioneer in the Overseas Micro Drama Market, Leading the New Wave of “Business Model Going Global (模式出海)”

Building on our successful experience in producing domestic popular micro dramas and profound industry insights, we have become one of the pioneers in the overseas micro drama market, consistently driving our rapid business growth.

Since 2022, we have leveraged our extensive digital content and valuable intellectual property to pioneer the overseas micro drama market. Since then, we launched multiple overseas micro drama apps, which have earned various awards at the national level. In April 2025, we launched our proprietary flagship overseas micro drama app, FlareFlow. As of the Latest Practicable Date, FlareFlow previously achieved top one on daily rankings in the U.S. region of the free entertainment app charts of leading mobile app stores.

Guided by the strategy of “Business Model Going Global”, we actively expand into overseas micro drama markets by combining a proven successful business model of “pay-to-unlock” in China with our localized content creation capabilities. Leveraging our abundant digital content library, capabilities in application of AI technology, as well as content production and operational experience, we have established end-to-end capabilities from script incubation to global distribution. In addition, by establishing cross-border collaborations between domestic and local screenwriters, we have built robust localization advantages, with localized operation team across North America, Japan and China. Building on these advantages, we have achieved notable success in the overseas micro drama market. As of the Latest Practicable Date, our overseas micro drama platforms reach 200 countries and regions, covering North America, Southeast Asia, and Europe; and our platforms’ cumulative registered users have exceeded 33 million, generating monthly top-up amount of over US\$10 million.

In addition, we have invested in constructing the world’s first international micro drama filming base in Hengqin, Guangdong, which has commenced operations since January 2026. Located in Hengqin, adjacent to Macau, this filming base facilitates the entry of foreign actors for filming. With a usable area of approximately 17,000 sq.m., it features over 94 sets of commonly used scenes for overseas micro drama filming, covering diverse settings such as hospitals, offices, high schools, restaurants, residences, churches, courtrooms, police stations and castles. This filming base will significantly enhance our overseas micro drama production capabilities, supplement our footprint in the overseas micro drama ecosystem, and solidify the foundation for our significant growth potential in the future.

Abundant and Growing Library of Original Digital Content, Supporting the Development of High-Quality and Diverse IP Derivatives and Fostering an Integrated Business Ecosystem

Our abundant and growing library of digital content serves as the cornerstone for the development of AI technology and the explosive growth of our overseas micro drama business. It constitutes the core of our business and constantly provides rich sources for our IP screening and development, forming a formidable competitive moat.

Abundant Original Digital Content Resources

Since our inception in 2000, through over 25 years of development, creation, refinement and accumulation, we have built an organic ecosystem centered on our proprietary original content, connecting renowned creators, publishers, distribution channels and digital content consumers. As of the Latest Practicable Date, we accumulated over 5.6 million pieces of digital content covering diverse categories such as original literature, classical literature, education, Chinese folk performance art and management.

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We recognize creators are crucial in driving our continuous generation of high-quality original content. We believe we possess the following advantages to attract creators to our platform:

- ***Diverse distribution and monetization capabilities:*** Leveraging our capabilities in content distribution through diverse channels and monetization of IP derivatives across multiple formats, our platforms attract a large number of outstanding writers. As of the Latest Practicable Date, our platforms have cumulatively cooperated with over 4.0 million writers.
- ***Copyright protection capabilities:*** We believe our strong copyright protection capabilities facilitate our continuous attraction of high-quality creators. Since our inception, we have consistently adhered to the principle of “authorization first, distribution later,” using IP lawfully within the authorization scope. Through technological, administrative, judicial and social means, we have established a comprehensive IP protection system, actively promoting and advocating for orderly IP transaction practices.

Robust Capabilities to Develop and Commercialize IPs across Multiple Formats Based on Digital Content Resources

We not only possess an abundant digital content library but also, based on it, develop blockbuster IPs and various IP derivatives. We have established an IP development process from selection and planning to development and operation, developing the same IP across multiple formats to maximize its value.

We have developed a dynamic IP portfolio consisting of our flagship IPs, proprietary IPs and high commercial potential IPs. Leveraging our abundant digital content library and IP reserves, as well as our capabilities in application of AI technology, we accurately and efficiently screen IPs for subsequent development. We have adopted a multi-format IP development strategy to create diverse IP derivatives. Such IP derivatives in different formats do not exist in isolation. Instead, they drive traffic and value to IP derivatives in other format, creating a multiplier effect of one IP for multiple developments and monetization. Our multi-format IP development strategy not only diversifies and increases our revenue streams, but also allows us to pilot IP adaptations in lower-cost formats before proceeding to IP development in higher-cost formats. For example, we typically utilize AI technology to first adapt online literature into audio content. If it gains popularity, we then further develop it into higher-cost formats such as animations and/or micro drama, thereby effectively reducing our development costs and improving our operational efficiency.

Notably, our representative IP development cases include Hei (羅小黑) and Martial God Asura (修羅武神). With its lively and vivid cartoon image, Hei is beloved by audiences across different age groups. It was first created in comic format, which has been subsequently developed and adapted into animation series, animated films and accessories, with our revenue generated from this IP of RMB53.6 million in the nine months ended September 30, 2025. Martial God Asura is a popular serialized online literature on our online literature platform with a large reader base. It has been developed across multiple formats from online literature to audiobooks, comics, animation series and accessories.

Our massive original digital content library serves as the foundation for our business development, increasing the success rate of our high-quality IP development and driving our diversified revenue growth. Benefiting from this digital content library, we are able to explore more possibilities for our IP development and continuously produce high-quality content in more formats. This, in turn, attracts more talented creators to develop premium content and IPs for us, which fuels the expansion of our digital content library, forming a strong flywheel effect.

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A Visionary Founder with Innovative Spirit and a Proficient Senior Management Team, Driving Our Growth Through Outstanding Leadership

Our founder, Mr. Tong, graduated from Tsinghua University and is an entrepreneur possessing strategic foresight, innovative spirit, robust execution ability, acute market insight and substantial industry experience. Mr. Tong’s served as the captain of the championship team in the first Challenge Cup China College Student Entrepreneurship Competition (挑戰杯中國大學生創業計劃大賽), which is a testament to his innovative and entrepreneurial spirit. His strategic vision, ability to grasp the macro trends of industry and rich industry experience have played a crucial role in our success and growth in China and globally. Since our inception in 2000, Mr. Tong has been fully responsible for our strategic planning. With strong forward-looking perspective, keen market insight, and excellent innovative capabilities, he has consistently demonstrated his ability to accurately predict industry trends, seize key opportunities, and make forward-looking strategic layouts. This can be illustrated by our following key strategic milestones under Mr. Tong’s leadership:

- we commenced digital publishing business in 2000 when the Internet in China was in its early development stage;
- we pioneered mobile reading in 2006; and
- we were one of the first companies to produce and broadcast micro dramas as early as in 2021.

Under the leadership of Mr. Tong, we have assembled a proficient management team with a wealth of industry experience and global vision. Most of our senior management and core members of our technology and business team have served us for over 10 years, ensuring our management stability and continuity. We have attracted management and technical talent from around the world, possessing diverse backgrounds, overseas experience and global vision. For details on our senior management, see “Directors and Senior Management”. We believe the extensive management experience and keen market insight of our senior management will play a significant and positive role in formulating our business strategies, reaching our strategic objectives and fostering team cohesion, ultimately facilitating our consistent and sustainable business growth.

OUR STRATEGIES

We believe that the next generation content ecosystem will consist of next generation concept, next generation connection and next generation creation. We plan to implement the following strategies to boost our comprehensive business development, so as to achieve our commitment to building next generation content ecosystem:

Content Solidification: Continuously Consolidate and Expand Our Digital Content Library to Ensure High-Quality Content Output

Rooted in the digital entertainment industry, we are committed to continuously consolidating and expanding our digital content library with next generation concept.

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We recognize that writers are a crucial source of literary works for our digital content library. We plan to invest additional resources to identify, nurture and attract more aspiring writers, thereby ensuring constant supply of high-quality literary works for us. To this end, we intend to implement the following methods: offering more competitive customized licensing agreements to writers with development potential; expanding the editorial team and building AI-empowered content production toolkits to enable writers to create content more efficiently on our platforms; and establishing incentive funds and/or organizing activities to attract talented writers to submit literary works to us.

To continuously enrich our high-quality digital content reserves, we plan to procure IP resources with commercial development potential. Leveraging our capabilities and experience in development and operation of IPs across diverse formats, we believe we are able to incubate and diversify the monetization of acquired IPs, thereby consistently driving our business growth.

We also intend to focus on producing more high-quality micro dramas, further enriching our digital content. We plan to strengthen our strategic cooperation with industry partners such as premium micro drama screenwriting studios, ensuring stable, high-quality source of scripts and consolidating the core competitiveness of our micro drama content.

IP-driven Success: Conduct Full-format Development around Our Top-Tier IPs to Form a Virtuous Business Cycle, Unleashing IP Monetization Potential

We intend to further strengthen diverse marketing synergy between our core IPs and IP accessories. We plan to establish professional brand marketing teams, pursue IP co-branding collaborations, and further explore offline IP-themed collaborations and activities, such as themed park events, pop-up stores and interactive games, enhancing the market penetration and monetization capabilities of our core IPs.

We are also committed to building our IP ecosystem. We intend to focus on promoting cross-media and diversified development of our proprietary core IPs, achieving a full-format development. To accelerate the development and adaptation process, we may seek to co-develop our proprietary core IPs with other IP adaptation partners.

In addition, we will establish an IP value assessment and full lifecycle development mechanism, encompassing IP innovation, IP commercialization and IP capital reinvestment. To support the effective operation of this mechanism, we plan to build an IP full lifecycle middle platform, to effectively manage and enhance the value of our IP assets.

Global Prioritization: Boost Overseas Resource Allocation, Rapidly Scaling Our International Business

We believe next generation content requires next generation connection to maximize its commercial value, including global distribution and synergy between overseas and domestic markets. To implement the strategy of next generation connection, we plan to accelerate the global expansion of our IP content, by focusing on emerging overseas micro drama and animation markets such as Europe and Southeast Asia. Specifically, we will increase investment in our overseas content platforms offering micro dramas and AI motion comics, including developing multi-language content platform apps tailored to the local user preferences, deploying a global CDN and building operation infrastructure to constantly enhance our users' experience. In addition, we will also establish and expand our overseas micro drama production studios, set up local operation teams in regions like North America and Southeast Asia, and conduct localized adaptation of micro dramas for overseas users, and collaborate with overseas influencers, KOLs and traffic platforms to promote our micro dramas and micro drama platforms. These efforts will further enhance our capabilities in content development, adaptation and promotion, as well as local operation.

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AI Empowerment: Increase AI Technology Investment and Deepen AI Empowerment in Production and Operations, Further Improving Our Revenue Scale and Operational Efficiency

We believe next generation content relies on next generation creation method, primarily leveraging new technology such as AI for the development, design, and production of content. Guided by the philosophy of next generation creation, we will further advance the integration of AI technology into our core business processes across online literature, micro dramas and other IP derivatives. In addition, we will also continuously strengthen application of AI technology in areas such as user preference prediction and content recommendation algorithms, forging AI-driven competitiveness anchored by our “Xiaoyao” AI. Specifically:

- To efficiently empower content creation, we will actively research and improve AI toolchains for generating novels, scripts and AI motion comics, build proprietary training datasets by cleansing and labeling our proprietary data as well as data procured from third parties, recruit algorithm teams, and procure computing power resources; and
- To enhance precise distribution and user growth technology, we will upgrade the recommendation algorithm engine of our content platforms, build an AIGC-powered personalized recommendation platform, and conduct overseas user growth experiments.

Talent Acquisition: Continuously Recruit Aspiring Individuals and Technical Elites, Fueling Our Business Development

Talent with global vision, capabilities and determination is critical to further enhance our technology capabilities and expand our business. On one hand, we actively encourage our domestic talent to gain international exposure and expertise abroad. On the other hand, we are also recruiting talented individuals globally, attracting outstanding talent with international backgrounds. We have established offices in key markets and regions such as North America, Japan, and Singapore, implementing tailored talent identification and arrangement based on local market demands.

Specifically, we plan to integrate domestic and overseas recruitment channels to establish cross-regional and interdisciplinary teams spanning R&D, AI technology, content creation, as well as overseas and localization operations, providing effective support for our rapid business expansion and globalization strategy.

OUR BUSINESS

As a leading, AI-driven digital entertainment platform, we are committed to promoting integration of technology and content to create “Better Content, Better Life”. During the Track Record Period, we mainly generated revenue from the following business lines:

- **Online literature and related business:** With more than 25 years of dedication to the digital entertainment industry, as of the Latest Practicable Date, our digital content library has accumulated over 5.6 million pieces of high-quality digital content, primarily comprising online literary works. Through years of accumulation, we have also aggregated a wide range of audio content, most of which is adapted from our online literary works. We distribute our literary content and audio content to users through diverse third-party distribution channels and our proprietary online literature platforms. In addition, we also generate revenue from license of our online literature works and provision of digital data in relation to our online literature works.

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- **Micro dramas and IP derivatives business:** We are one of the first companies to produce and distribute micro dramas in 2021, and among the few companies in China to generate revenue of over RMB100 million from micro dramas in 2022, according to Frost & Sullivan. We produce micro dramas mainly based on our digital content library. We distribute our premium micro dramas through leading domestic micro drama platforms and other video platforms in China. For the overseas market, we operate our proprietary micro drama platforms offering both in-house and third-party produced micro dramas. In addition, we identify high-quality IPs from our digital content library for subsequent operation and adaptation into multiple formats, including comics, AI motion comics, animations, micro dramas, films, and accessories, recording revenue from such IP derivatives.
- **Others:** We also generated other revenue from provision of educational products and services, rentals, content reviewing services and other technical operation services.

The table below sets forth the breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,				Nine months ended September 30,			
	2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
Online literature and related business	669,634	47.5	685,998	59.2	487,115	60.3	480,090	47.5
Micro dramas and IP derivatives business	622,019	44.2	398,195	34.4	291,005	36.0	474,129	46.9
Others ⁽¹⁾	117,204	8.3	74,926	6.4	29,929	3.7	56,820	5.6
Total	1,408,857	100.0	1,159,119	100.0	808,049	100.0	1,011,039	100.0

Note:

- (1) Primarily including provision of educational products and services, rentals, content reviewing services and other technical operation services.

ONLINE LITERATURE AND RELATED BUSINESS

Our Online Literary Content

Digital Content Library

Our digital content is mainly accumulated from our domestic online literature platforms, which primarily focuses on Chinese-language, original literary content. Such content is largely fictional and serialized in nature. In addition, our overseas online literature platform, launched in 2024, constantly supplements and enriches our digital content library with English-language novels. With more than 25 years of dedication to digital entertainment industry, as of the Latest Practicable Date, our digital content library has accumulated over 5.6 million pieces of high-quality digital content.

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Content Popularity

Our digital content library includes some of the most popular online literature works in China, including:

Name	Highlights
 The First God of All Eternity (萬古第一神)	This work belongs to the genre of xuanhuan and is popular and ranks top on various online reading platforms. It has been selected for the “IP Influence Ranking of 2020 China Online Literature Influence Ranking (2020年度中國網絡文學影響力榜 – IP影響榜)” by the Chinese Writers Association (中國作家協會). As of the Latest Practicable Date, the audiobook of this work has been played for over 3.6 billion times.
 Martial God Asura (修羅武神)	This work belongs to the genre of xuanhuan. It ranked top 10 on a trending novel chart of a leading Internet company at of the Latest Practicable Date, and it has been awarded the “Best Translated Work of 2019 China Online Literature Overseas Influence List (中國網絡文學海外傳播榜(2019年度) – 最佳外語翻譯)”, a prestigious national recognition. With a massive reader base, the adapted animated series of the same title achieved great success and used to rank first on a leading video platform’s overall paid-content chart.
 Nine Star Hegemon Body Art (九星霸體訣)	This work belongs to the genre of xuanhuan. It ranked top 7 on a trending novel chart of a leading Internet company at of the Latest Practicable Date, and it has been selected as “Top 100 Work (百強作品)” and “Top 10 Most Promising Game IP (最具潛力十大IP)” of the 4th Chenggua Online Literature Awards (第四屆橙瓜網絡文學獎) in 2019, and “Overseas Distribution Award of 2021 China Online Literature Influence List (中國網絡文學影響力榜(2021年度)海外傳播獎)” by the Chinese Writers Association.

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Name

Highlights



District 9 (第九特區)

This work belongs to the genre of post-apocalyptic crisis. It achieved a rating of 9.5 out of 10 on a leading online reading platform, and has been awarded as “New Era Decade’s Top 100 Chinese Online Literature Works (新時代十年百部中國網絡文學榜)” in 2023, “Annual List of Online Literature Youth Ranking (網文青春榜年度榜單)” and “3rd Pan-Chinese Online Literature Golden Keyboard Award (第三屆泛華文網絡文學金鍵盤獎)” both in 2022.



Whole Family Goes Crazy after Hearing My Thoughts; All I Do is Drink Milk (全家偷聽我心聲殺瘋了，我負責吃奶)

This work belongs to the genre of ancient romance. It was one of the most popular female-oriented online literature in 2023, and ranked top on the trending charts of several leading Internet platforms at of the Latest Practicable Date.

Content Creation

Our writers

Our writers serve as the primary source of new content on our online literature platforms. As of the Latest Practicable Date, we had over 4.0 million registered writers on our platforms. Our platforms allow writers of all levels, ranging from amateurs to professionals, to create and publish content, including both finished works as well as works-in-progress, for extensive online literature audiences in China and overseas. Furthermore, writers on our platforms frequently continue to update their published works after initial publication.

While our platform is open to writers of all levels, we place a strong emphasis on discovering and cultivating the literary talent, as the caliber of our writers directly impacts content quality, users experience, engagement, and ultimately, the monetization potential of our content. To secure a consistent pipeline of premium content, we enter into commercial arrangements with high-quality writers.

Licensing Agreements with Writers. We obtain the licensing rights to specific works of writers only under the license contract by title. Our licensing agreements with writers may vary depending on the negotiations between our Group and writers. The scope and structure of these agreements are determined with reference to (i) the writer’s established popularity; (ii) the monetization potential of the work through online reading; and (iii) other potential opportunities for licensing work to content adaptation partners.

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Typical key terms of license agreements between writers and us may include the following:

- *Scope of license:* The writer may irrevocably grant all copyrights in a literary work (including the right to sublicense) to us on an exclusive basis. We are entitled to create derivative works in any form based on the contracted literary work, without any permission from or payment to the writer; or

In certain cases, the writer may only grant to us the rights of copying and disseminating to a literary work on either an exclusive or non-exclusive basis;

- *Target for writer:* The writer may be required to achieve certain targets in respect of minimum number of words written for the literary work. Except for force majeure events or prior notification and written consent from us, if the writer fails to provide the literary work as scheduled for more than one month, we may suspend all the payment until the relevant literary work is completed, and the writer shall indemnify any loss we suffered as a result of such breach;
- *Payment:* We generally pay the writer in the following manner:
 - (i) a fee calculated based on the number of words written at the agreed rate for the literary work, which would be settled on a monthly basis; or
 - (ii) revenue-sharing arrangements under which writer receives certain portion of the total revenue derived from the copyrights of the literary work; or
 - (iii) a combination of the above two arrangements.
- *Indemnity:* The writer shall indemnify us for any losses resulting from contravention of his/her obligations under the licensing agreements with us.

We are committed to supporting and facilitating our writers’ creative efforts. Through our writer welfare program, we provide a basic financial support to writers to incentivize their continued content creation and active engagement. Contracted writers can obtain a basic monthly stipend under our writer welfare program, if they consistently update their literary content to meet our specified requirements. In addition, the serialized nature of content on our online literature platforms encourages ongoing engagement between readers and our writers. This not only strengthens the engagement on our online literature platforms but also provides valuable feedback, helping our writers understand reader preferences and refine their work. Our online literature platforms, 17K.com and 4yt.net, provide writers with dedicated free tools to manage their works, including functions such as content creation, work management, reader interaction and feedback statistics as well as income statistics.

Our editors

Our in-house editorial team performs many critical roles for our platforms. Our editors are primarily responsible for improving the quality of our writers’ works, identifying new writer talent, and managing our content distribution. As of September 30, 2025, we had 79 professional full-time and part-time editors, among whom 60 editors possess at least five years of experience. Our senior editors have discovered and promoted many of the most popular writers and original online literary works in China.

Our editors are assigned to cover content on our platforms largely by content genre. They review newly published literary works after a predetermined maturation period, and assess the content quality through their experience and expertise, while also considering user data related to such works, such as number of times the works was archived, reader volume and reader likes. When our editors identify that a new writer has potential, they will collaborate with the writer to enhance his work quality and reader appeal. Depending on a writer’s potential, he may have either generalist editorial coverage or a dedicated team of editors assigned to him. Throughout the editorial process, our editors consistently offer their

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own suggestions as well as collect readers’ feedback to advise writer on the storyline, language and plot points of their works. For many writers, this represents a unique resource that helps enhance both the literary and commercial value of their works.

Content screening and reviewing

We place great importance on content screening and reviewing on our proprietary online literature platforms. This is to ensure that all the literary content published on our platforms fully complies with all applicable laws and regulations, and is free from any obscene or pornographic content or any information that may jeopardize the quality of our literary works. We have adopted the following dual-review processes:

Automated Content Screening Process. We first utilize an AI-powered automated system to screen all writer-generated literary content. Based on a keyword repository regularly updated in line with the latest laws and regulations in the PRC, this system identifies and flags suspicious content for further review. All flagged content must be reviewed and confirmed by our content reviewing staff prior to publication.

Manual Content Reviewing Process. If the relevant flagged content fails to pass the review of our content reviewing team, they will not be uploaded onto our platforms. When necessary, we may engage third-party consultants with expertise in China’s content regulatory framework to review specific content, further enhancing our compliance capabilities.

Content generated with the assistance of our “Xiaoyao” AI

Our “Xiaoyao” AI empowers us and global writers to create novels, constantly enriching and supplementing our digital content reserve. For more details, see “— Our AI Technologies — Our Self-Developed “Xiaoyao” AI”. As of the Latest Practicable Date, our “Xiaoyao” AI has been used by over 50,000 creators across over 90 countries and regions, assisting in generating over 2 billion words of content.

Our Audio Content

Through years of accumulation, we have aggregated over 490,000 hours of audio content as of the Latest Practicable Date, spanning diverse categories such as original literature, classical literature, education, Chinese folk performance art and management. Most of our audio content is adapted from our online literary works. Among our audio content, as of the same date, Martial God Asura (修羅武神) achieved over 2 billion cumulative plays across all platforms. Gate of Star Traces (星痕之門) accumulated over 300 million plays, ranking second on the Ximalaya’s new releases chart, while Immortal Through the Nine Realms (九域凡仙) obtained more than 300 million plays, ranking third on the same chart. In addition to human narrators, we now also use more AI technologies to generate high-quality audio content with lower costs and higher efficiency. As of the Latest Practicable Date, our AI-generated audio content has exceeded 200,000 hours.

Our Monetization Opportunities

We operate our online literature and related business through a multi-layered monetization channels as below.

Online Literary Content

We primarily distribute our online literary content to readers through our diverse third-party distribution channels as well as our proprietary online literature platforms. In addition, we also generate revenue from licensing of our online literary content to IP adaptation partners.

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Online literary content through third-party distribution channels (to-B model)

Our distribution channel partners receive revenues from readers who pay fees to access our premium online literary content on their platforms, as well as from advertisement incomes in connection with our online literary content. Our distribution channel partners then share a portion of such revenues with us pursuant to our copyright cooperation agreements.

For online literary content distribution through third-party channels, we have partnered with renowned domestic online reading platforms such as Fanqie (番茄), Qimao (七貓), Qidan (起點), QQ Reading (QQ閱讀), and leading domestic Internet and telecommunication companies.

The typical salient terms of the copyright cooperation agreements with third-party distribution customers are as follows:

- *Delivery of the literary works:* We are required to deliver the specified number of literary works to distribution customers by the prescribed time;
- *Scope of license:* Distribution customers are generally granted a non-exclusive right to distribute our literary works through their platforms within the PRC, and to convert our literary works into audio content by text-to-speech technology. They may not sub-license such rights to any third party;
- *Term of license:* The license term for our literary works generally ranges from one to three years; and
- *Fees:* We receive from distribution customers (i) a share of the revenue generated from such literary works on distribution customers’ platforms or (ii) a combination of fixed fee based on the number of licensed literary works and the shared revenue. Such fees typically would be settled on a monthly or quarterly basis. While we do not control the monetization of literary works on distribution customers’ platforms, we are generally able to receive guaranteed fixed fees by leveraging our abundant digital content library.

Online literary content through our self-owned online literature platforms (to-C model)

We operate our main online literature platforms across various formats, including mobile apps, websites and WeChat mini programs. These platforms primarily provide functions that enable readers to easily enjoy the online literary works, mainly including reading, as well as content search and discovery. The below table provides an overview of our main online literature platforms:

Name	Format(s)	Paid or free subscription (Note)	Highlights
Domestic online literature platforms			
17K.com (17K小說網)	Mobile app and website	• Free; and paid by membership and by content	• one-stop shop for high-quality content across all major online literature genres such as fantasy, modern romance, wuxia and xianxia, and youth and school

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Name	Format(s)	Paid or free subscription (Note)	Highlights
			• primarily attract male readers of all age groups • exemplary works include Martial God Asura (修羅武神), District 9 (第九特區), and From Rags to Rank One (一品布衣)
4yt.net (四月天小說網) . . .	Website	• Free; and paid by membership and by content	• focus on female readers covering diverse female-oriented novels • exemplary works include Whole Family Goes Crazy after Hearing My Thoughts; All I Do is Drink Milk (全家偷聽我心聲殺瘋了，我負責吃奶)
haili.chineseall.net (海狸故事)	Website	• Free	• new short fiction platform including labels such as Mystery Project (謎想計劃) and Fantasy Universe (奇想宇宙) • dedicated to fostering diversity and innovation in local genre literature and uncovering new writers and works
multiple online reading mini programs	WeChat mini program	• Free; and paid by content • Unlock content by watching advertisement	• our new media platforms providing curated online literary works with a faster narrative pace

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Name	Format(s)	Paid or free subscription (Note)	Highlights
Overseas online literature platform			
Rocnovel	Mobile app and H5 page	• Free; and paid by membership and by content • Unlock content by watching advertisement	• our overseas platform primarily providing English-language novels • these English-language novels are created by overseas writers with the assistance of our “Xiaoyao” AI

Notes:

- (1) “Paid by membership” means the reader is required to subscribe for the membership of the reading platform and pay fixed periodic membership fee for the membership.
- (2) “Paid by content” means the reader is required to pay for reading the literary work by chapter or by item.
- (3) “Unlock content by watching advertisement” means the reader may read certain chapter of a literary work by watching advertisement without any payment.

We operate our online literature platforms under a freemium model. Typically, we offer the beginning chapters of a literary work for free and then charge the rest of the work. We believe the free content attracts readers and encourages them to visit and explore our digital content. The ability to pay for only the parts of the work that a reader consumes eliminate a reader’s concern that he may not read the whole book, particularly given the length of some of our works. We also offer monthly, quarterly and yearly membership packages ranging from RMB15 to RMB298 for our domestic online literature platforms; and provide weekly, monthly, quarterly and yearly membership packages ranging from US\$9.99 to US\$179.99 for our overseas online literature platform. These packages allow readers unlimited access to a specific sub-set of our content offerings. In addition, on certain of our online reading mini programs and overseas online literature platform, users can read certain chapter of a literary work through watching advertisements placed on our platforms by our advertising customers. We generally charge these advertising customers based on the agreed charging model.

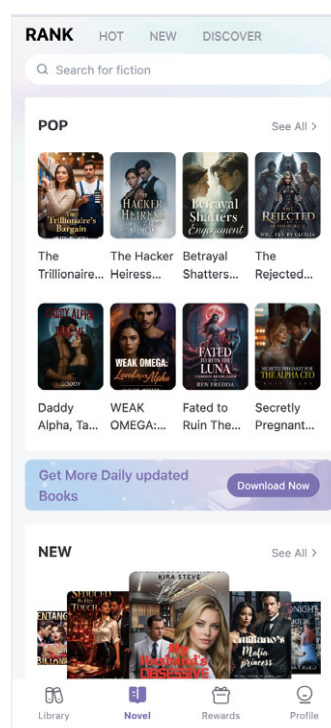
In light of the decline in the gross profit margin of our to-C model (through mini programs) due to increasing distribution costs and intensifying competition in China’s online literature market, we made strategic shift of focus from the to-C model (through mini programs) to to-B model for our domestic online literature business from 2025 onwards. Further to this strategic shift, our domestic online literature platforms, primarily our 17K.com and 4yt.net, remained the core channels for enriching our digital content literary by connecting us with our writers.

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The following are certain screenshots of interfaces of our online literature platforms.



17K mobile app



Rocnovel mobile app

IP licensing

To enhance the commercial value of the online literature content in our digital content library, we may also license them to IP adaptation partners for adaptation into various products, such as translated works, audiobooks, animations, as well as television and films. We typically receive from such IP adaptation partners fixed licensing fee and/or a combination of a fixed licensing fee and revenue sharing from the adapted products in return. We enter into licensing agreements with our IP adaptation partners pursuant to which IP adaptation partners are entitled to develop and/or operate the translated works, as well as the adapted audiobooks, animations, television and films and/or other adaptations. The license is of either exclusive or non-exclusive nature. Our IP adaptation partners may sub-license the rights to their affiliated companies without our approval. However, if our IP adaptation partner wants to sub-license the relevant adaptation rights to a third party during the term of the license, our written approval is generally required. Our IP adaptation partners are not permitted to adapt our IPs into other formats not specified in the licensing agreements.

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Other

We mainly distribute our audio content to users through leading domestic audio platforms. We enter into licensing agreements with such audio platforms pursuant to which they are granted a license to offer our audiobooks to their users. The license is non-exclusive nature and does not include any sub-licensing rights. We typically receive revenue sharing from our licensed audio content in return.

During the Track Record Period, we also generated other revenue from provision of certain digital data in our digital content library to independent third parties.

MICRO DRAMAS AND IP DERIVATIVES BUSINESS

Micro Dramas

We were among the first companies in China to produce and distribute micro dramas, starting as early as 2021, and we achieved remarkable success in micro drama, making us one of the few companies in the PRC to reach the milestone of RMB100 million revenue, according to Frost & Sullivan. Micro drama is a new narrative format, which is optimized for vertical viewing on mobile and other smart devices, with one to ten minutes of duration per episode. Its narrative logic is similar to that of online literature. Capitalizing on more than 25 years of accumulation and expertise in online literature industry, we have achieved great success and produced a number of blockbusters in the micro drama industry.

Leveraging our deep industry insights, coupled with our extensive experience of overseas operation and abundant digital content and IP reserve, we successfully expanded our micro drama business into overseas markets in 2022. Since then, our overseas micro drama business has demonstrated a rapid growth momentum. According to Frost & Sullivan, the market size of the overseas micro dramas is expected to grow from RMB14.0 billion in 2024 to RMB120.8 billion in 2029, representing a CAGR of 53.9%. In order to capitalise on these overseas market opportunities and solidify our domestic micro drama business, we have formed a dual-pillar strategy of platform-centric for overseas markets and content-centric for domestic market.

Overseas Micro Dramas

Built on our rich digital content library, AI technology capabilities and localization expertise, we have successfully tapped into the overseas micro drama market since 2022. We successively launched multiple micro drama apps tailored to the needs of overseas users, including Sereal+ and FlareFlow. Sereal+, launched in December 2023, was among our initial overseas micro drama platforms. Leveraging our experience in overseas micro drama business, we launched our flagship overseas micro drama platform FlareFlow in April 2025, which adopts an operation model and monetization methods similar to those of Sereal+. In light of FlareFlow’s strong performance and growth momentum, we strategically shifted our resource allocation from Sereal+ to FlareFlow in mid 2025, and have since then prioritized the operation of FlareFlow.

FlareFlow is free for user download from the Apple and Android app stores. As of the Latest Practicable Date, FlareFlow previously achieved top one on daily rankings in the U.S. region of the free entertainment app charts of leading mobile app stores, with cumulative registered users exceeding 33 million across over 200 countries and regions, including the U.S., Canada, Europe and Southeast Asia; and it has built a content distribution network supporting over 14 languages such as English, Spanish, French, Thai, and Arabic.

BUSINESS

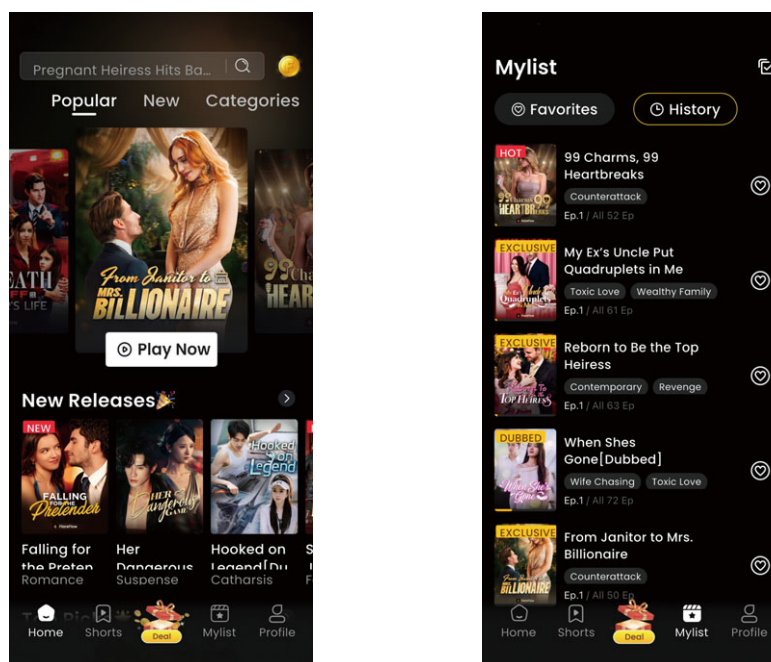
FlareFlow

FlareFlow is our flagship micro drama platform offering both our in-house and third-party produced micro dramas to users (to-C model). We primarily operate FlareFlow by the below monetization methods:

- *Pay-per-view.* We offer the initial episodes of micro dramas for free, as we believe the initial free episodes can attract users and encourage them to visit and explore our micro dramas. Users may then unlock the remaining episodes by coins or bonus. Coins can be purchased, and when users purchase a specified amount of coins, they may receive corresponding bonus. In addition, users can earn bonus through our reward systems, including daily check-ins and completing designated tasks.
- *Membership subscription.* We offer flexible subscription packages with weekly, monthly and yearly plans, ranging from US\$19.99 to US\$199.99. Subscribers are granted unlimited access to all of our micro dramas on FlareFlow with an ad-free viewing experience.
- *Advertising.* Users may also unlock and watch episodes by watching advertisements. We then receive relevant fees from the advertising customers.

We utilize our AI analytical capabilities in our feed system to categorize and recommend micro dramas based on user data captured on our platform. See “— Our AI Technologies” for more details. To allow users to enjoy immersive, distraction-free viewing experience, FlareFlow is designed to retain the essential functions, including viewing, liking, and discovering micro dramas by various rankings and categories.

User Interface of FlareFlow App



As of the Latest Practicable Date, FlareFlow aggregated around 5,200 premium micro drama series, comprising over 700 micro drama series produced by us and over 4,400 micro drama series licensed from renowned third-party producers, covering diverse genres such as romance, suspense, revenge, fantasy, and adorable baby. We derive revenue primarily from our self-produced premium micro drama series. The following are the posters and highlights of the top five micro dramas on the FlareFlow as of Latest Practicable Date:

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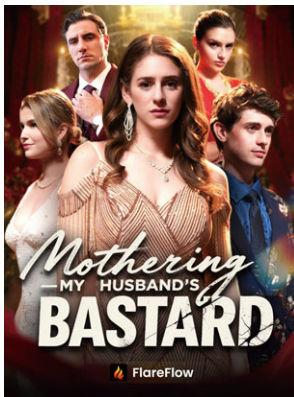
Name

Highlights



Raising His Mistress's Child

As of the Latest Practicable Date, this micro drama series had total views of over 193.6 million, generating the top-up amount of US\$15.5 million for the Company.



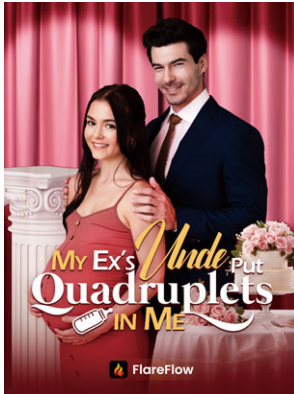
Mothering My Husband's Bastard

As of the Latest Practicable Date, this micro drama series had total views of over 115.4 million, generating the top-up amount of US\$7.4 million for the Company.

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Name

Highlights



My Ex's Uncle Put Quadruplets in Me

As of the Latest Practicable Date, this micro drama series had total views of over 165.5 million, generating the top-up amount of US\$5.6 million for the Company.



From Janitor to Mrs. Billionaire

As of the Latest Practicable Date, this micro drama series had total views of over 89.8 million, generating the top-up amount of US\$3.2 million for the Company.



Shoot at My Heart

As of the Latest Practicable Date, this micro drama series had total views of over 64.8 million, generating the top-up amount of US\$3.3 million for the Company.

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We generally enter into licensing agreements with these third-party producers. The typical salient terms of these agreements are as follows:

- *Delivery of the micro dramas:* The schedule of the agreements typically sets out the name of the specified micro dramas. The licensor is required to deliver to us the licensed micro dramas in the formats as agreed by the parties together with copyright certification documents of these micro dramas by the prescribed time;
- *Scope of license:* Generally we are granted, among other things, the rights of reproduction, distribution, broadcasting and translation for the micro dramas on a global basis within the specified term of license. We are entitled to distribute and broadcast licensed micro dramas on any platforms owned, operated or co-developed;
- *Nature of license:* Subject to negotiations between the parties, licenses are typically granted to us on a non-exclusive basis, and to a lesser extent, we may be granted exclusive licenses; and
- *Fees:* We shall pay to the licensor license fees based on the number of micro dramas and shared revenue from the broadcasting of micro dramas on our platforms. Such license fees and share revenue typically would be settled on a quarterly basis.

Domestic Micro Dramas

Based on our abundant digital content and IP reserve, we produce our own micro dramas and distribute them on leading domestic micro drama platforms (such as Hongguo) and other video platforms (to-C model). As of the Latest Practicable Date, we have produced and released over 800 domestic micro drama series, covering diverse genres such as romance, suspense, revenge, fantasy and adorable baby.

Set out below are a number of our popular premium micro dramas series which are adapted from online literatures of the same/similar title in our digital content library:



Series of From Rags
to Rank One
(一品布衣)

In recognition of its premium quality, From Rags to Rank One series I has been included in the “2025 Influential List (2025年度影響力名單)” and awarded the “Micro Drama of the Year (年度微短劇)” by Media & Entertainment Industry Reporter (綜藝報) in 2025. Its series II and III were released in January and February 2026, respectively. In 2025, From Rags to Rank One series I achieved over 3 billion views on Hongguo, making it one of only two male-oriented micro dramas on the platform to surpass that milestone that year. As of the Latest Practicable Date, this micro drama series was among the top male-oriented micro dramas on Hongguo by its highest Hongguo Heat Score^(Note).

Note: Hongguo Heat Score refers to the popularity metric for micro dramas used by Hongguo, a leading free micro drama platform in China.

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Did the Crown Prince
Break His Rules Today
(太子殿下今天
破戒了嗎)

Its highest Hongguo
Heat Score^(Note) is
over 63 million as of
the Latest Practicable
Date.



Everyone's Favorite
Little Cutie, I'm the
Most Awesome Kid in
the Empire
(團寵小奶包，我是全
皇朝最靚的崽)

Its highest Hongguo
Heat Score is over 62
million as of the
Latest Practicable
Date.



A Broken Mirror
Cannot Be Restored;
The Princess Does Not
Seek Divorce
Peacefully But Only
Dismisses Her
Husband
(破鏡不重圓，嫡公主
不和離只休夫)

Its highest Hongguo
Heat Score is over 59
million as of the
Latest Practicable
date.



Substitute Bride
Turned Stepmother,
Raised the Children
and Conquered All
(替嫁當後娘，
侯門主母養崽逆襲)

Its highest Hongguo
Heat Score is over 57
million as of the
Latest Practicable
date.

We enter into cooperation agreements with leading domestic online micro drama platforms and other video platforms for broadcasting of our micro dramas. The typical salient terms of these agreements are as follows:

- Delivery of the micro dramas:* The schedule of the agreements typically sets out the name of the specified micro dramas. We are required to deliver these micro dramas to the relevant customers by the prescribed time set forth in the agreements. We may be required to refund part or all the fees we have received to customers if the specified micro dramas cannot be broadcast due to changes in laws and regulations within specified period after their debut on the customers' platforms;

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- *Territories and exclusivity:* Generally the customers are licensed, among other things, the broadcasting rights of the micro dramas in the PRC. Such broadcasting rights are typically exclusive and permanent. The customers shall not conduct derivative development or commercial operation of the licensed micro dramas;
- *Right of sub-licensing:* From time to time, we grant sub-licensing rights to certain customers. Customers with sub-licensing rights can sub-license the exclusive broadcasting rights of our micro dramas to third parties in the PRC within the term of the license; and
- *Fees:* We will receive fixed fees based on the number of micro dramas and shared revenue from the licensing of micro dramas from the customers. Such fixed fees and shared revenue typically would be settled on a monthly basis. Under these agreements, we generally do not control monetization of such licensed micro dramas.

Operation Flow of Micro Dramas

We typically act as the sole investor of our original micro dramas, contributing all of the funding and taking the lead in the production, promotion and distribution processes. We solely own the copyrights of our original micro dramas. As the sole copyright owner, we only license the broadcasting rights of our domestic micro dramas to third-party platforms and maintain all the other legal rights including IP adaptation and licensing rights. For our overseas micro dramas, we solely broadcast them on our proprietary overseas micro drama platforms.

The production and monetization of an original micro dramas mainly consist of four stages as below:

Script development

We believe that the script is the cornerstone of compelling micro dramas as it directly shapes narrative quality and audience engagement. Thus, we place great importance on the script development stage, from initial theme selection to final refinement. Our in-house editors typically develop and select themes for new micro drama projects based on user preference data from our online literature platforms and micro drama platforms, as well as our industry insights derived from market research on the latest social media trends.

In respect of our overseas micro dramas, our in-house domestic editorial team first develops core narrative framework and drafts storyline within the selected themes. Our local teams across Japan and North America then oversees cultural localization, including polishing dialogue, integrating local elements and refining cultural nuances. Throughout the entire script development process, our in-house domestic team and local teams collaborate closely to ensure the content resonates deeply with overseas audiences and aligns with local cultural norms and preferences.

For our domestic micro dramas, our in-house domestic editorial team takes primary responsibility for developing and refining the scripts based on the selected themes. We may also engage external editors to expand and diversify our script portfolio, ensuring a steady pipeline of high-quality content.

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In addition, our editorial teams constantly optimize our scripts by leveraging user preference data from our micro drama platforms, as well as conduct various creative experiments, from hook strength testing to cultural adaptation trials, ensuring maximum resonance and conversion for our micro drama series.

Filming

We engage third-party production companies to conduct the filming process, while we assign an in-house production team to monitor the entire filming process, with a focus on managing the shooting progress to ensure efficiency and adherence to project schedule.

For overseas micro drama filming, we have formed a joint in-house operation team across North America, Japan and China. Our domestic team oversees the filming of core plots, while our overseas team monitors the production of localized scenes and details. This dual-team structure ensures that our overseas micro dramas strike the balance between storytelling consistency and local cultural authenticity, thereby resonating with international audience while ensuring our content quality.

The typical salient terms of the agreements with the third-party production companies are as follows:

- *Scope of work:* The production companies are responsible for the filming process, covering production and shooting of the micro dramas;
- *Quality control:* We generally have rights to monitor and provide opinions at all production stages and on selection of the main production team (including but not limited to actors, screenwriters, directors and producers). We also have the exclusive right to make all decisions related to the micro dramas, including the final editing right. In the event of substandard quality observed in the micro drama project at any time, we are entitled to retain the payment due for the project, and reserves the right to take over the project;
- *Delivery period:* We typically require the production companies to deliver micro dramas by the prescribed time. The delivery time of domestic micro dramas ranges from approximately seven to 14 days, while it would take one to two months to produce overseas micro dramas;
- *Fees:* We generally pay to the production companies a fixed fees by instalments, and/or share certain portion of the revenue from the relevant micro dramas with the production companies. Such fees payable by us comprise all fees for production of micro drama projects, including but not limited to filming fees, as well as cast and crew expenses; and
- *Intellectual property rights:* We own all the copyright and intellectual property rights in relation to the deliverables or other results of the relevant micro dramas.

Post-production

We adopt the same post-production process for both our domestic and overseas micro dramas. After filming is completed, we proceed to select the scenes to assemble the final micro drama product. Depending on our capacity, we may handle post-production ourselves or engage production companies to process it. Post-production primarily involves (i) video and sound editing; (ii) voice dubbing; (iii) creating and recording music; (iv) special effects; and (v) color grading. To enhance the production efficiency, we utilize AI technologies for multi-language dubbing, subtitle generation, color grading and special effects. Following the post-production process, our in-house production team will conduct compliance reviews of the final product to,

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among other things, detect copyright risks, avoid culturally sensitive elements and ensure compliance with relevant laws and regulations.

Promotion and distribution

We primarily deploy our self-developed AI agent to automatically generate and place promotion materials for our overseas micro dramas. See “— Our AI Technologies” for more details.

We distribute our domestic micro dramas primarily through leading domestic micro drama platforms and other video platforms, while we distribute our overseas micro dramas on our proprietary overseas micro drama platforms.

IP Derivatives

With more than 25 years of dedication to the digital entertainment industry, combined with our deep insights in market trends and audience preferences, we have established a comprehensive IP development process, spanning from strategic IP selection and planning to operation and adaptation.

Selection and Planning

We assess our digital content library periodically and select the IPs which we consider to have commercial potentials for subsequent development and adaptation process. We have proactively integrated AI technologies into our selection process, significantly enhancing its efficiency and effectiveness. See “— Our AI Technologies” for more details. In the selection process, we generally assess and consider the following factors:

- popularity of literary work on online reading or audio platforms. We will assess the popularity of the relevant writer and literary genre, such as the awards granted to the works, reader volume and reader likes;
- latest market trends and reader preferences;
- development and adaptation potentials of the literary work;
- general quality of the draft literary work and the writer’s capacity to complete the work if only a work-in-progress is submitted to us; and
- originality of the literature concept.

At the initial stage, we formulate a comprehensive IP development plan to develop and adapt our shortlisted IPs, either by ourselves or in collaboration with IP adaptation partners, into multiple formats such as audiobooks, comics, AI motion comics, animations, micro dramas, films and accessories. We adopt a tiered IP development strategy. We believe that if an IP performs well in lower-cost adaptation formats, it presents a less risky opportunity to develop it into higher-cost formats. Thus, we initially adapt our IPs through lower-cost formats, such as AI-generated audiobooks or comics, to test the market. If these initial adaptations receive positive market feedback, we will then progressively adapt these IPs into higher-investment formats, including animation, micro dramas, and ultimately film productions. This tiered development approach not only effectively mitigates early-stage investment risks but also optimizes operational efficiency by ensuring resources are allocated to high commercial potential IPs with validated market demand.

Development and Adaptation

Building on our strategic selection and planning process, we have developed a dynamic IP portfolio that consists of our flagship IPs, and high commercial potential IPs suitable for subsequent development. Below is an overview of our key adaptation formats for this IP portfolio, spanning audiobooks, comics and AI motion comics, animations, micro dramas, film and accessories:

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Audiobooks

See “— Online Literature and Related Business — Our Audio Content” for more details.

Comics and AI motion comics

In addition to traditional comics, we may adapt our IPs into AI motion comics. AI motion comics are AI-driven dynamic visual adaptations of online literature and comics, presented in multiple formats such as comic-dramas and 3D animations. As of the Latest Practicable Date, we have fully developed and officially launched a comprehensive AI toolchain called “Dimension Brush (次元神筆)” for the entire production workflow, covering script splitting, character modelling, storyboard image and video generation, to constantly support our AI motion comic projects. For more details, see “— Our AI Technologies”.

Our AI-generated comic-dramas have not only been commercialized through paid serialization but have also demonstrated strong, sustainable growth. As of the Latest Practicable Date, we have utilised AI toolchain to produce over 250 AI motion comics. Notably, *Strength Against Strength: My Cultivation Has No Limit* (遇強則強，我的修為無上限), adapted from a literary work of the same title in our digital content library, has achieved remarkable success, with its cumulative viewership exceeding 300 million as of the same date.

Moreover, our AI toolchain has significantly enhanced our 3D animation adaptation capabilities. Under traditional manual production methods, the production of one-minute 3D animation typically costs approximately RMB8,000, and the process is highly time-consuming and labor-intensive. By leveraging our AI technologies, we have been able to reduce the production cost to approximately RMB2,000 per minute, while also dramatically accelerating the production timeline. A prime example of this improvement is our first AI-generated 3D animation series released in October 2025, *The Immortal’s Return: A Single Hand Overpowers the Mortal Realm* (仙尊歸來：隻手鎮人間). For producing this series, we have deployed our AI toolchain to generate characters, scenes and actions entirely without manual modelling. This significantly reduced the average production cost per minute by more than 75% as compared with the traditional manual production methods. Following its official release on a leading short video platform, this animation series topped this platform’s animation charts and

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quickly became a blockbuster in the AI-generated animation sector, achieving a dual breakthrough in both creative efficiency and user engagement.



Strength Against Strength:
My Cultivation Has No Limit
(遇强则强，我的修为无上限)



The Immortal's Return:
A Single Hand Overpowers the Mortal Realm
(仙尊归来：隻手鎮人間)

Animations

We usually cooperate with top-tier production companies to co-develop and adapt literary works of our digital content library into animations. We usually entered into licensing agreements with animation production companies, pursuant to which we agreed to co-invest and co-produce animations with such licensees. Generally, we are entitled to share a portion of the revenue generated from the adapted animations in proportion to our investment amount in the development and production of the relevant adapted animations. We and the licensees share the full ownership and intellectual property rights of the adapted animations. One of our most famous animation adaptations is *Martial God Asura* (修羅武神), which was adapted from our famous online literary work of the same title. This animation series was co-produced by us and a renowned film and television company and it has been broadcast exclusively on a leading video platform since September 2023, ranking Top two on this platform's both hit topic chart (熱搜榜) and popularity chart (熱播榜). Due to its popularity, *Martial God Asura* season two was co-produced by the same parties and released in February 2026. Concurrently, we continue to maintain strategic communication with leading platforms for co-developing multiple animation projects.

Micro dramas

See “— Micro Dramas” for more details.

IP accessories

In 2024, the “goods economy”, which centered on accessories of IP, experienced robust development. To capitalise on these market opportunities, we strategically launched our brand of “Dimension Quest (次元探秘)” in October 2024, which is dedicated to the development and operation of IP accessories. This brand is built on our core proprietary IP Hei, supplemented by our other licensed IPs. Our licensed IP portfolio mainly includes Minions and King Kong Dragon Team (金剛特龍戰隊). We generally outsource the production for IP accessories to third-party contractors, while we are responsible for design, promotion and distribution of these IP accessories.

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Our flagship IP across multiple formats – Hei (羅小黑)

We acquired Hanmu Chunhua in 2023, which holds famous IP, Hei. For details, see “History, Development and Corporate Structure — Significant Acquisitions and Disposals — Acquisition of Hanmu Chunhua”. This IP has been successfully developed and commercialized across multiple formats spanning comics, animated series, animated films and accessories.

Building on this IP, we co-produced the animated film, The Legend of Hei 2 (羅小黑戰記2). It was released in China on July 18, 2025, and has commenced international distribution since August 2025, reaching audience across North America, Southeast Asia, Japan, Hong Kong, Macau, Europe, South Korea, Australia, and New Zealand, extending our IP’s cultural influence globally. This animated film has demonstrated exceptional market performance. As of the Latest Practicable Date, it recorded domestic and overseas box office of over RMB533 million and RMB25.5 million, respectively. It earned top-tier ratings on major domestic review platforms, including a score of 8.7 on Douban, the highest score among all 2025 theatrical animation releases, and has also been awarded the “Most Commercially Valuable Animation IP of the Year 2025 (2025年度最具商業價值IP)” by Thunder Report (雷報). In addition, it ranked second in the 2025 Summer Season Audience Satisfaction Survey conducted by China Film Art Research Center (中國電影藝術研究中心), reflecting its broad appeal across all age group.



The Legend of Hei



The Legend of Hei 2

In order to further enhance commercial value of Hei, we have developed and launched a comprehensive series of accessories, including blind boxes, badges, acrylic stands, wobble toys, film cell cards, and posters. Multiple Hei accessories became bestsellers and sold out rapidly. In July 2025, following the debut of The Legend of Hei 2, sales at our Hei online flagship store increased dramatically, with one top-selling product achieving sales of over 20,000 units.

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Capitalising on the successful release of The Legend of Hei 2, we have entered into deep licensing partnerships with leading companies in the pop toy, game, and F&B sectors. These collaborations create synergy between IPs and content, generating significant online and offline engagement. Our co-branded Hei products with leading pop toy partners such as Wanle Zhuyi, Miniso, and Pop Mart consistently sold out upon release.



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OTHER BUSINESS

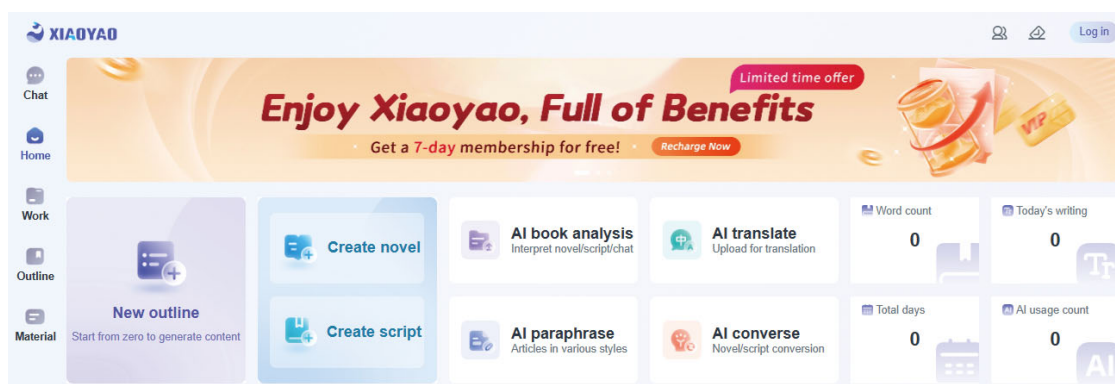
During the Track Record Period, we also generated other revenue from provision of educational products and services, rentals, content reviewing services, and other technical operation services primarily relating to advertising placement and content processing.

OUR AI TECHNOLOGIES

Our success is built on our ability to continuously innovate and enhance our core technologies. We began investing in, developing and deploying AI technologies as early as 2023. Today, we remain committed to prioritize research and development in AI technologies to reinforce our leading industry position and drive the industry forward.

Our “Xiaoyao” AI

Interface of our “Xiaoyao” AI



Innovation has always been at the forefront of our business, driving our growth and success over the years. With over 25 years of dedication to the digital entertainment industry, we have assembled a rich and diverse digital content library. It serves as a critical foundation for research and development of professional-grade content production platform.

In October 2023, we launched version 1.0 of our “Xiaoyao” AI, a pioneering content production platform which is developed based on open-source models to empower creators across the entire creation process. To meet the demands of global users, in June 2025, we released the English version of “Xiaoyao” AI. Through continuous iteration, our “Xiaoyao” AI now features the functions such as generating novels from a single image or sentence, processing and analyzing novels of up to one million words, novel-to-script conversion and one-click translation. Specifically, our “Xiaoyao” AI supports writers across multiple stages of the novel creation process, including setting story background and characters’ profiles, structuring outline, drafting and rewriting main content, and polishing and proofreading draft novels. These functions provide comprehensive AI-assisted writing solutions for global creators, constantly enhancing creators’ production efficiency. As of the Latest Practicable Date, our “Xiaoyao” AI had been utilized by over 50,000 users across more than 90 countries and regions, assisting creators to produce over 2 billion words of content.

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Application of AI technologies in our business value chain

IP Assessment and Screening

By integrating data-driven insights from our AI-empowered platforms with our deep industry expertise, we carry out comprehensive assessments of our digital content library to screen out high commercial potential IPs which are then shortlisted for subsequent IP development plans, spanning from literature to audiobooks, comics, AI motion comics, animations, micro dramas, films and accessories.

Content Generation

We have used our AI technologies to empower core content creation processes. As of the Latest Practicable Date, we have utilized AI technology in the production of over 50,000 literary works, more than 250 AI motion comics and over 200,000 hours of audio content. For instance, in micro drama production, we leverage AI technologies to empower subtitle translation and dubbing, facilitating cost-effective content localization; and we also use AI technologies to generate high-visual-effect scenes that would otherwise require substantial production investment, significantly reducing overall production costs. For AI motion comics production, we have integrated our self-developed AI toolchain into over 85% of our production process, covering script splitting, character modeling, and storyboard image and video generation, which has significantly reduced production time and costs compared to traditional production methods.

Specifically, as of the Latest Practicable Date, we have applied AI technology to cover 60% of our literary content production and operation processes. This has driven a more than 40% increase in our production efficiency in terms of average daily word count generated and reduced our average translation costs by over 90% as compared with traditional non-AI processes.

Promotion Material Generation and Placement

Our self-developed AI agent, comprising our “Xiaoyao” AI and a suite of AIGC tools, has been integrated into the core steps of our advertisement placement process. Our AI agent is capable of automatically extracting clips from micro dramas most likely to drive user clicks and payments through analyzing their emotional peaks, conflict nodes and plot twists. For each overseas micro drama series, our AI agent can generate between 100 and 300 promotion materials, covering short clips, cover images, hook versions and reversal versions. This enables us to select tailored promotion materials for different language regions such as English, Japanese, Arabic and Spanish based on their cultural preferences, thereby enhancing the localization effectiveness of our promotion materials. Our AI agent then automatically places the promotion materials simultaneously across leading overseas social media platforms in multiple overseas market, including North America, Japan and South Korea, Southeast Asia and the Middle East. This strategy not only enhances visibilities of our new micro drama series but also allows us to swiftly identify regions with higher user demands. In addition, our AI agent collects and provides our marketing teams with quantifiable series performance data, ensuring our promotion budget is allocated to the most effective placements.

As of the Latest Practicable Date, our AI agent has promoted over 27,000 titles of our literary works, increasing the average daily readership of high-quality literary content by 48 times, raising the average daily reading time of our paying readers by over 20% and enhancing our placement efficiency by over 20 times in terms of average daily number of advertisement managed per person as compared with traditional non-AI processes.

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Content Recommendation

For our overseas micro drama and online literature platforms, we utilize our AI analytical capabilities in our feed system to categorize and recommend content based on user data captured on our platforms, such as viewing history, search record and consumption behaviors. For example, with AI algorithm, we dynamically evaluate each micro drama series’ potential click-through rate and conversion rate, allowing us to adjust recommendation weights and resource allocations to a series accordingly. This AI-empowered distribution approach helps users quickly discover high-quality new micro dramas series while enabling us to efficiently identify key micro drama series for focused operational efforts. In addition, our platforms integrate an AI-empowered real-time data monitoring module. It dynamically tracks and provides early warnings for anomalies in key metrics of our micro dramas, such as view counts, subscription revenue, and advertising income. Based on this real-time data, our AI agent can constantly recommend and adjust the promotion and placement strategies for our micro dramas.

Research and Development

Our R&D efforts primarily focus on improving our “Xiaoyao” AI, exploring the application of advanced AI technologies into our business processes, and designing and optimizing technical structures for our platforms. Our R&D team is led by Mr. Wu Jiang (吳疆), who obtained a master’s degree in software engineering from Peking University (北京大學) in January 2009 and has approximately 17 years of experience in R&D. Mr. Wu led the R&D of our “Xiaoyao” AI and AI agent for advertisement placement. As of September 30, 2025, we have assembled a dedicated R&D team of 70 experienced engineers and specialists in China among whom 45 had more than 10-year experiences. We have constantly made investments into our R&D efforts and technology infrastructures.

INTELLECTUAL PROPERTY

Our business involves primarily on the creation, licensing, use and protection of our intellectual properties, which is fundamental to our success and competitiveness. Our business model primarily involves intellectual property rights in the following scenarios:

- Under the relevant agreements with our writers, we would enjoy the full copyrights of the literary works created by our writers;
- Under the relevant licensing agreements with our IP adaptation partners, our IP adaptation partners are allowed to produce and develop adaptations in a specific manner based on our IPs;
- Under the relevant licensing agreements with third-party content distribution customers, such customers are generally granted a non-exclusive right to distribute our content through their platforms; and
- Under the relevant agreements with the production companies for development of micro dramas and/or other IP derivatives based on our IPs, we often enjoy the copyrights of such micro dramas and/or IP derivatives.

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We rely on a combination of contractual restrictions, confidentiality procedures, and intellectual property registrations to establish and protect our proprietary intellectual property rights. As of the Latest Practicable Date, we have entered into confidentiality agreements with all employees. We also implement strict confidentiality protocols that are designed to mitigate the risk of unauthorised disclosure by our employees in general. In addition, we had included confidentiality provision in our licensing and cooperation agreements, which prohibits the unauthorised disclosure of our trade secrets, confidential information and confidential technical expertise. Despite our efforts, third parties may still obtain and misappropriate our intellectual property without authorisation. To the best knowledge of our Directors, we did not have any disputes or pending legal proceedings of intellectual property rights with third parties that may have a material adverse impact on our business during the Track Record Period and up to the Latest Practicable Date.

Since our inception, we have consistently adhered to the principle of “authorization first, distribution later,” using IPs lawfully within the authorization scope. Through technical, administrative and judicial means, we have established a comprehensive IP protection system. We have a dedicated team to handle the management and protection of our IPs, and may seek legal advice from external legal advisors when necessary. Civil litigations are our primary mean for our IP protection, while we collaborate with relevant authorities to enhance the administrative and criminal protection for our IPs.

Our intellectual property portfolio consists of copyrights, patents, trademarks, and domain names. Our intellectual property is important to our business. As of the Latest Practicable Date, we had registered 15 patents, 71 software copyrights, 99 artwork copyrights, 19 domain names, and 61 trademarks in the PRC as well as two trademarks in Hong Kong which we consider to be or may be material to our business. For more information about our intellectual property, see “Appendix IV — Statutory and General Information”.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly comprised (i) third-party promotion and marketing service providers; (ii) suppliers and production companies for micro dramas, both in China and overseas; and (iii) writers who create content on our online literature platforms and license content to us. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, purchases from our largest supplier amounted to RMB96.8 million, RMB166.7 million and RMB166.1 million, representing 8.1%, 15.1% and 19.1% of our total purchase amount, respectively. For the same periods, purchases from our top five suppliers amounted to RMB354.6 million, RMB286.1 million and RMB449.4 million, respectively, representing 29.6%, 26.0% and 51.6% of our total purchase amount during the respective period. We believe that we have a good cooperation relationship with our key suppliers.

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Our Five Largest Suppliers

The following tables set forth certain information of our five largest suppliers during the Track Record Period:

For the year ended December 31, 2023

Supplier	Products/services supplied to us	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchases	Year of commencement of business relationship with us
Supplier A ⁽¹⁾	promotion and marketing services	10 working days	bank transfer	96,783	8.1	2023
Supplier B ⁽²⁾	promotion and marketing services	10 working days	bank transfer	86,144	7.2	2020
Supplier C ⁽³⁾	promotion and marketing services	10 working days	bank transfer	66,898	5.6	2022
Supplier D ⁽⁴⁾	promotion and marketing services	10 working days	bank transfer	59,126	4.9	2022
Supplier E ⁽⁵⁾	promotion and marketing services	10 working days	bank transfer	45,604	3.8	2021
				<u>354,555</u>	<u>29.6</u>	

For the year ended December 31, 2024

Supplier	Products/services supplied to us	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchases	Year of commencement of business relationship with us
Supplier F ⁽⁶⁾	promotion and marketing services	45 days	bank transfer	166,663	15.1	2024
Supplier G ⁽⁷⁾	promotion and marketing services	30 or 45 days	bank transfer	36,353	3.3	2024
Supplier H ⁽⁸⁾	promotion and marketing services	10 working days	bank transfer	31,697	2.9	2023
Supplier E ⁽⁵⁾	promotion and marketing services	10 working days	bank transfer	31,480	2.9	2021
Supplier I ⁽⁹⁾	promotion and marketing services	20 working days	bank transfer	19,913	1.8	2023
				<u>286,106</u>	<u>26.0</u>	

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For the nine months ended September 30, 2025

Supplier	Products/services supplied to us	Credit terms	Payment method	Purchase amount (RMB'000)	% of our total purchases	Year of commencement of business relationship with us
Supplier J ⁽¹⁰⁾	promotion and marketing services	45 days	bank transfer	166,081	19.1	2025
Supplier K ⁽¹¹⁾	promotion and marketing services	60 days	bank transfer	112,559	12.0	2025
Supplier L ⁽¹²⁾	promotion and marketing services	30 days	bank transfer	86,185	9.9	2024
Supplier F ⁽⁶⁾	promotion and marketing services	45 days	bank transfer	59,400	6.8	2024
Supplier M ⁽¹³⁾	promotion and marketing services	15 working days	bank transfer	25,127	2.9	2024
				449,352	51.6	

Notes:

- (1) A company established in 2021 in the PRC with a registered capital of RMB10 million, primarily engaged in advertising services.
- (2) A company established in 2018 in the PRC with a registered capital of RMB10 million, primarily engaged in software development, data processing and advertising services.
- (3) A company established in 2017 in the PRC with a registered capital of RMB1 million, primarily engaged in providing advertising services.
- (4) A company established in 2016 in the PRC with a registered capital of RMB20 million, primarily engaged in software development, maintenance and sales; and value-added telecommunications services.
- (5) A company established in 2016 in the PRC with a registered capital of RMB1 million, primarily engaged in information technology consulting, as well as advertising and marketing services.
- (6) A company incorporated in 2014 in Hong Kong, primarily engaged in providing data-driven advertising and digital marketing solutions.
- (7) A company incorporated in 2022 in Hong Kong, primarily engaged in providing advertising solutions driven by AI and big data.
- (8) A company established in 2011 in the PRC with a registered capital of RMB10 million, primarily engaged in offering information technology development and consulting services as well as advertising services.
- (9) A company incorporated in 2016 in Hong Kong, primarily engaged in offering AI-powered digital marketing solutions.
- (10) A company incorporated in 2011 in Hong Kong, primarily engaged in providing search engine marketing services.
- (11) A company incorporated in 2021 in Hong Kong, primarily engaged in providing advertising and marketing services for micro dramas.
- (12) A company incorporated in 2015 in Hong Kong, primarily engaged in providing integrated digital marketing solutions.
- (13) A company established in 2015 in the PRC with a registered capital of RMB1 million, primarily offering information technology and software development as well as marketing services.

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During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our five largest suppliers or contractors. During the Track Record Period and as of the Latest Practicable Date, we did not have any material disputes with our suppliers or contractors.

Salient Terms of Contracts with Major Suppliers

We typically engage with suppliers through various agreements tailored to the nature of the services and/or products. For our major suppliers of providing promotion and marketing services, we generally enter into the following service agreements with them.

Service agreements with suppliers for social media advertising services

A summary of the salient terms of these agreements is set out below:

- **Term:** The term of the agreements with these suppliers generally ranges from one to three years.
- **Scope of services:** Our suppliers are principally obligated to provide certain promotion and marketing services, including but not limited to the opening and management of advertising accounts on certain leading international social media platforms. We typically generate and place promotion materials on these social media platforms by ourselves.
- **Payment terms:** Our suppliers shall provide us with a monthly statement, detailing the advertising fees incurred by us on the social media platforms. We are required to settle such fees within a specified credit period.
- **Confidentiality:** Both parties should protect each other’s business and technical secrets and should not disclose each other’s business and technical secrets to third parties without the other party’s approval.

Service agreements with suppliers for promotional services on a cost per sale (“CPS”) basis

A summary of the salient terms of these agreements is set out below:

- **Term:** The term of the agreements with these suppliers is generally one year.
- **Scope of services:** Our suppliers are principally responsible to display and promote the designated promotion materials of our digital content on the channels that they own or are entitled to operate.
- **Payment terms:** We shall pay a certain portion of our distributable revenue to the suppliers as service fees on a CPS basis. Such portion ranges from 88% to 92%. Our distributable revenue refers to the total amount paid by our users for the premium digital content on our platforms that is attributable to the suppliers’ promotional services, after deducting payment processing fees and bad debt expenses.
- **Confidentiality:** Both parties should protect each other’s business secrets. Without our approval, the suppliers should not disclose our business secrets and product information to any other third parties.

Our Directors confirm that we had not experienced any material fluctuations in prices set by our suppliers, material breach of contract on the part of our suppliers, or material shortage or delay in delivery of our orders from our suppliers during the Track Record Period and up to the Latest Practicable Date.

OUR CUSTOMERS

During the Track Record Period, our customers were mainly (i) third-party content platforms where we distribute our digital content for licensing fees and/or revenue sharing

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fees; (ii) users of our online reading platforms and micro drama platforms; and (iii) content adaptation partners who license our IPs for adaptations. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, sales to our single largest customer (taken on a group basis) amounted to RMB72.5 million, RMB69.6 million and RMB88.2 million, representing 5.1%, 6.0% and 8.7% of our total revenue, respectively. For the same periods, sales to our top five customers (taken, where applicable, on a group basis) amounted to RMB172.6 million, RMB210.3 million and RMB223.4 million, representing 12.3%, 18.2% and 22.1% of our total revenue, respectively. We have established a stable and long-term relationship with our customers. Most of our top five customers during the Track Record Period have business relationship with us from 5 years to 8 years.

Our Five Largest Customers

The following tables sets forth certain information of our five largest customers (on a group basis) during the Track Record Period:

For the year ended December 31, 2023

Customer	Products/services provided by us	Credit terms	Payment method	Revenue attributable to the customer (RMB'000)	% of our total revenue	Year of commencement of business relationship with us
Customer A ⁽¹⁾ . . .	Copyrights licensing	15 working days	bank transfer	72,454	5.1	2019
Customer B ⁽²⁾ . . .	Copyrights licensing	20 working days	bank transfer	48,628	3.5	2020
Customer C ⁽³⁾ . . .	Copyrights licensing	45 working days	bank transfer	21,958	1.6	2018
Customer D ⁽⁴⁾ . . .	Copyrights licensing	3 working days	bank transfer	15,094	1.1	2023
Customer E ⁽⁵⁾ . . .	Technical operation service	45 working days	bank transfer	14,434	1.0	2018
				<u>172,568</u>	<u>12.3</u>	

For the year ended December 31, 2024

Customer	Products/services provided by us	Credit terms	Payment method	Revenue attributable to the customer (RMB'000)	% of our total revenue	Year of commencement of business relationship with us
Customer B ⁽²⁾ . . .	Copyrights licensing	15 working days	bank transfer	69,596	6.0	2020
Customer A ⁽¹⁾ . . .	Copyrights licensing	15 working days	bank transfer	68,513	5.9	2019
Customer C ⁽³⁾ . . .	Copyrights licensing	45 working days	bank transfer	30,967	2.7	2018
Customer F ⁽⁶⁾ . . .	Copyrights licensing	28 days	bank transfer	24,032	2.1	2019
Customer G ⁽⁷⁾ . . .	Technical operation service	15 working days	bank transfer	17,235	1.5	2024
				<u>210,343</u>	<u>18.2</u>	

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For the nine months ended September 30, 2025

Customer	Products/services provided by us	Credit terms	Payment method	Revenue attributable to the customer (RMB'000)	% of our total revenue	Year of commencement of business relationship with us
Customer B ⁽²⁾	Copyrights licensing	20 working days	bank transfer	88,194	8.7	2020
Customer G ⁽⁷⁾	Copyrights licensing	10 working days	bank transfer	45,523	4.5	2024
Customer C ⁽³⁾	Copyrights licensing	20 working days	bank transfer	41,577	4.1	2018
Customer A ⁽¹⁾	Copyrights licensing	15 working days	bank transfer	37,521	3.7	2019
Customer F ⁽⁶⁾	Copyrights licensing	28 days	bank transfer	10,628	1.1	2019
				223,443	22.1	

Notes:

- (1) A leading Chinese language Internet search provider, listed on the Hong Kong Stock Exchange and the NASDAQ.
- (2) A company established in the PRC in 2012, primarily engaged in short videos, news information and digital marketing.
- (3) A leading internet company primarily engaged in the provision of value-added services, online advertising services, as well as FinTech and business services, listed on the Hong Kong Stock Exchange.
- (4) A company established in the PRC in 2018 with a registered capital of RMB10 million, primarily engaged in scientific research and technical services.
- (5) A national communication and information provider in the PRC, listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.
- (6) A national telecommunications operator in the PRC, listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.
- (7) A company incorporated in the Cayman Islands in 1999, primarily engaged in providing technology infrastructure, e-commerce platforms, cloud computing and internet content services, and listed on the Hong Kong Stock Exchange and the New York Stock Exchange.

Except for the customer C, all of our five largest customers during the Track Record Period had been Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, except for two subsidiaries of the customer C holding in aggregate approximately 7% of the shareholding in our Company, none of our Directors or their respective close associates or any of our Shareholders, to the knowledge of our Directors, owned more than 5% of our issued Shares, had any interest in any of such customers. During the Track Record Period, to the best knowledge of our Directors, our Group did not have any material disputes with our customers.

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Overlapping of Major Customers and Suppliers

During the Track Record Period and up to the Latest Practicable Date, among our top five customers and suppliers in each year/period, we had a total of seven overlapping customers and suppliers. The table below sets out our revenue and purchases from these customers/suppliers, as well as the respective percentages of total revenue and purchases they accounted for the periods indicated:

	Products/ services procured from us as our customer	Products/ services to us as our supplier	For the year ended December 31,								For the nine months ended September 30,			
			2023				2024				2025			
			Revenue		Purchase		Revenue		Purchase		Revenue		Purchase	
			<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Customer A . .	Copyrights licensing	Licensing fee	72,454	5.1	662	0.1	68,513	5.9	7,537	0.7	37,521	3.7	595	0.1
Customer B . .	Copyrights licensing	Content licensing, marketing fee	48,628	3.5	24	*	69,596	6.0	1,588	0.1	88,194	8.7	3,871	0.4
Supplier C . .	Copyrights licensing	Promotion and marketing services	75	*	66,898	5.6	—	—	2,117	0.2	—	—	—	—
Customer C . .	Copyrights licensing	Traffic acquisition	21,958	1.6	2,247	0.2	30,967	2.7	463	*	41,577	4.1	434	*
Customer E . .	Operational support service	Service fee, server costs	14,434	1.0	1,482	0.1	13,990	1.2	540	*	4,736	0.5	116	*
Customer F . .	Copyrights licensing	Licensing fee, service fee	7,031	0.5	41	*	24,032	2.1	8,334	0.8	10,628	1.1	—	—
Customer G . .	Operational support service, copyrights licensing	Server costs	3,802	0.3	13,076	1.1	17,235	1.5	8,914	0.8	45,523	4.5	9,063	1.0

* The percentage is less than 0.1.

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Our Directors confirmed that negotiations of the terms of our sales to and purchases from the above overlapping customer and supplier were conducted independently, and these sales and purchases were independent from one another. The terms of transactions with the overlapping customer and supplier are of normal commercial terms and similar to those transactions with our other customers and suppliers. As advised by Frost & Sullivan, it is not uncommon to have overlapping customers/suppliers in the industry.

TRANSFER PRICING ARRANGEMENT

We did not carry out any transfer pricing arrangements (“**Transfer Pricing Arrangements**”) in the year ended December 31, 2023. In the year ended December 31, 2024 and the nine months ended September 30, 2025 and up to the Latest Practicable Date, we entered into certain Transfer Pricing Arrangements, primarily including the licensing of our literary works.

We carried out the Transfer Pricing Arrangements in line with the arm’s length principle. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties, investigations, inquiries or transfer pricing audits conducted by local tax authorities in connection with the Transfer Pricing Arrangements. Our Directors believe that the Transfer Pricing Arrangements adhered to the arm’s length principle and we remained compliant with applicable transfer pricing laws and regulations during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

We establish cooperative relationships with our customers primarily through the efforts of our sales and marketing personnel. To better distribute our digital content through third-party channels, we maintain close communications with our existing and potential third-party content platforms and introduce highlights in our content products to such platforms on a regular basis. We believe that these efforts enable us to maintain and foster fruitful business relationships with such content platforms, and in the meantime, closely monitor the market trends of the digital entertainment industry in different regions in China and overseas.

BUSINESS

In addition, to enhance the audience exposure of our content, we usually formulate the relevant promotion and marketing plans, including but not limited to promoting our content and/or our content platforms on new media and/or online social platforms. We formulate the promotion and marketing strategy of each content based on a number of factors, including (i) the characteristics of the content; (ii) distribution channel; and (iii) the target audience. Selling and marketing expenses are crucial for our user acquisition and business expansion strategy, in particular, for our FlareFlow. We closely monitor the return on investment of such expenses and continuously optimize our marketing strategy, with a view to improving profitability. In addition, we may publish AI-generated promotion materials, clips and trailers on social media platforms to attract audience attention. We also initiate discussion topics relating to our IPs and interact with fans on social media platforms, and collaborate with celebrities and influencers to promote our content platforms.

Customer Service

We are committed to providing our customers with high-quality customer service experience. We have established customer complaint handling system and maintained a customer service team for our main business lines. Our customer service team is responsible for providing customer service for our products and services, handling user inquiries and complaints, and collecting user feedback. We require our customer service team to complete investigations of all complaints and provide responses to all questions from our users and customers as soon as possible. During the Track Record Period, we did not receive any material customer complaints, underscoring our commitment to high-quality service and product delivery as well as customer satisfaction.

Seasonality

Our business has no obvious cyclical or seasonal fluctuation.

Pricing

In terms of the pricing for the online literary works and audiobooks on our online literature platforms, we primarily take into account other industry players’ pricing levels, our content costs, promotion and marketing expenses for our content, and/or the operation costs of our online literature platforms. In determining the fees of licensing our online literary works and audiobooks to third-party distribution channels, which generally include fixed fees and shared revenue, we usually consider other industry players’ pricing levels, our content costs, target profit margin, and our past commercial arrangements (if any).

We monetize our overseas micro drama platforms through pay-per-views, membership subscriptions and advertisings, while we receive license fees from license of domestic micro dramas to the domestic platforms. With respect to the pricing for our micro dramas, we generally consider other industry players’ pricing levels, our production costs, promotion and marketing expenses and target profit margin. As for the pricing for our IP derivatives, we typically take into account other industry players’ pricing levels for IP derivatives of similar nature and formats, our development and production costs, as well as promotion and marketing expenses. In addition, to benefit fans of our IP derivatives, we strive to maintain our products at a competitive pricing level. In determining the pricing for our other business, we would generally consider our costs and prevailing market price (if any) for similar properties, products or services.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned 20 properties in China with a total GFA of approximately 4,155.35 sq.m., which have been leased out. We have obtained title certificates for these properties. As confirmed by our PRC Legal Advisors, we legally and validly own these properties, with no existing or potential ownership disputes.

The property valuation report (the “**Property Valuation Report**”) from Masterpiece Valuation Advisory Limited (“**Masterpiece**”), an independent property valuer, set out in

BUSINESS

Appendix III of this document, contains details of our selective property interests as of November 30, 2025. Masterpiece valued these property interests at an amount of approximately RMB26.8 million as of November 30, 2025. Except for the property interests set forth in the Property Valuation Report, pursuant to Rule 5.01A of the Listing Rules, as of September 30, 2025, no single property interest (i) that formed part of our property activities had a carrying amount representing 1% or more of our total assets; or (ii) that formed part of our non-property activities had a carrying amount representing 15% or more of our total assets.

Leased Properties

As of the Latest Practicable Date, we leased nine properties with an aggregate GFA of approximately 7,418.11 sq.m. in China, which had been used mainly as office.

As of the Latest Practicable Date, eight of our aforementioned leased properties in the PRC had not been filed with relevant real estate management departments in the PRC, primarily due to reasons beyond the Company’s control that the relevant lessors failed to perform necessary procedures for lease registration or failed to provide sufficient documents for the lease registrations, such as property ownership certificates or other relevant certificates regarding their legal right to lease the properties to the Company. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to file the executed lease agreement. As advised by our PRC Legal Advisor, the validity of the lease agreements is not affected by the failure to file them with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate maximum potential penalty for the non-registration of the foregoing leased properties would be RMB80,000 as of the Latest Practicable Date. See “Risk Factors — Risks Relating to Doing Business in Jurisdictions Where We Operate — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations”. As of the Latest Practicable Date, we have not received any order from the relevant government authorities requiring us to file these lease agreements.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may, from time to time, be subject to legal proceedings, disputes and claims that arise in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, there were no litigations, arbitrations or administrative proceedings pending or threatened against us or any of the Directors which could, individually or in the aggregate, have a material adverse effect on our business, results of operation or financial condition.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that would have a material adverse effect on our business, results of operations or financial condition.

COMPETITION

For online literature and related business, we mainly operate and compete in China online literature market. This market is characterized by a relatively high level of concentration, with leading platforms capturing a significant share of user engagement, high-quality IP resources, and commercial revenue. We believe that we are well positioned to compete effectively on the basis of our leading market position in this market, our abundant digital content library, our AI technology application capabilities and our IP development capabilities across multiple formats.

BUSINESS

In respect of micro drama business, we primarily operate and compete in the overseas micro drama market. The overseas micro drama market remains relatively fragmented. We believe that with our early-mover advantages in the overseas micro drama market, abundant digital content library, AI technology application capabilities as well as content production and operational experience, we are well poised to compete effectively. For more information on the competitive landscape of our industries, see “Industry Overview”.

INFORMATION SECURITY AND DATA PRIVACY

We strictly abide by the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》), the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》), and other national or regional laws and regulations to conduct business.

In order to effectively provide our services and better understand user needs, our online literature and overseas micro drama platforms may collect and use user data, which primarily include personal information (such as nick name, phone number and gender), transactional information (such as subscription and payment records on our platforms), behavioral information (such as using time, reading/viewing history and search history). For entering into license agreements with our writers, we may collect relevant personal information of such writers, including their name, identification document number, bank information and contact information.

We believe data security is critical to our business operation. We have established comprehensive data protection policies, spanning from collection, storage, usage, disclosure, retention and destruction of data. We review and assess the effectiveness of our data protection policies and procedures in protecting our users’ and writers’ privacy and interests, and monitor our compliance status in accordance with the applicable regulatory requirements on a regular basis. To safeguard our users’ and writers’ data, we implement access controls to strictly limit our employees’ access to a need-to-know basis. We also provide regular data privacy training to the relevant employees. Employees are required to report any actual and/or potential data security breaches immediately.

During the Track Record Period and as of the Latest Practicable Date, in the PRC and other jurisdictions where we operate, (i) we have not been subject to any material fines or sanctions due to non-compliance with laws and regulations relating to data privacy; (ii) to the best of our knowledge, we had not experienced any material data leak; and (iii) we had not received any legal proceedings from any third party for material breach of data privacy or protection laws. To safeguard cross-border data transfers, we will, in accordance with the applicable requirements of relevant jurisdictions, adopt appropriate technical and organizational measures, and take other necessary measures to ensure the security and compliance of such transfers.

As advised by our PRC legal advisor as to PRC data compliance matters, during the Track Record Period and up to the Latest Practicable Date, we complied with the applicable PRC laws and regulations in relation to data and personal information in all material respects.

Given the volume of users of our overseas micro drama platform, FlareFlow, and the associated revenue generated from the U.S. market, we have engaged U.S. legal advisor, Loeb & Loeb LLP (the “**U.S. Legal Advisor**”) to conduct diligence on the data protection compliance issues. The U.S. Legal Advisor is of the opinion that as of the Latest Practicable Date, our operations of FlareFlow in the U.S. are compliant with currently applicable data protection and data security laws and regulations in the jurisdictions in which we operate in the U.S. in all material respects.

BUSINESS

AWARDS AND RECOGNITIONS

As of the Latest Practicable Date, we have received the following key awards and recognitions relating to our business operation:

Award/Recognition	Awarding Authority	Year
Outstanding Global Expansion Award of the Year (年度卓越出海獎)	Gelonghui (格隆匯)	2025
2024 Future Rising Star Listed Company in the Information Industry (2024年度未來信息產業之星上市公司)	China Listed Company Industry Development Forum (中國上市公司產業發展論壇)	2024
China’s Top 50 Most Valuable Enterprises in the “AIGC × Pan-content” (中國“AIGC × 泛內容”行業50家最有價值公司)	Jiemian News (界面新聞), Entertainment Capital (娛樂資本論), Shanghai Xuhui Culture-Tourism Service and Development Center (上海市徐匯區文化旅遊服務和發展中心)	2023
Online Literature Overseas Dissemination Platform Award (網絡文學海外傳播平台獎)	Online Literature Center of China Writers Association (中國作家協會網絡文學中心)	2023
2021 Influential Enterprise in the Private Book Industry Award (2021年度民營書業影響力企業獎)	Private Book Industry Summit (民營書業峰會)	2022
2022 Quality Copyright Cooperation Platform (2022優質版權合作平台)	Mango TV	2022
2020–2021 Outstanding Digital Publishing Brand (2020–2021年度數字出版優秀品牌)	China Digital Publishing Expo (中國數字出版博覽會)	2021
2020 Top 100 Beijing Private Enterprises in the Cultural Industry (2020年北京民營企業文化產業百強)	Beijing Federation of Industry and Commerce (北京市工商業聯合會)	2020
2020 Best IP Partner for Kuaishou Micro Dramas (2020快手短劇最佳IP合作方)	Kuaishou	2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We consider Environmental, Social, and Governance (“ESG”) a core component of our corporate philosophy, promoting its full integration into our corporate strategy and daily operations. By adopting responsible business practices and advancing ESG initiatives systematically, we are committed to creating long-term value for our stakeholders, including employees, customers, suppliers and partners, and bringing positive and sustainable impact to the communities where we operate.

BUSINESS

ESG Governance

We acknowledge our responsibilities in environmental protection and social responsibility and undertake to regularly disclose ESG reports in accordance with the requirements of the regulatory departments upon [REDACTED]. We have established a multi-tiered ESG management framework. The Board, as the highest governing body for ESG management, is responsible for formulating, supervising, and reviewing our ESG management strategies, including defining strategic directions, setting goals and establishing key policies, as well as assessing and identifying relevant ESG risks and opportunities to ensure these factors are fully considered in our long-term development. A Strategy and ESG Committee led by Mr. Tong is established, which is responsible for overseeing ESG issues and providing advice on decision-making, regularly reviewing the implementation of our ESG strategies and objectives and regularly reporting the latest progress to the Board. Our management is responsible for formulating our overall strategies and action plans on ESG issues, assisting the execution units in segmenting objectives and clarifying responsibilities, as well as ensuring the effective implementation of relevant measures.

ESG Strategy

We continuously track and assess ESG risks and opportunities, as well as applicable laws and regulations, to proactively address current and anticipated challenges. In promoting the premium quality of digital content and the application of AI technology, we have implemented measures across multiple businesses, including online literature, micro drama and IP derivatives, with a focus on the full-chain protection on intellectual property.

Furthermore, we have established a comprehensive risk adaptation and mitigation plan, setting various scientific indicators and objectives to ensure the efficient implementation of our premium and intelligent strategies. We currently focus on intellectual property rights confirmation, business ethics development and data privacy and security, establishing a clear management framework and phased goals to drive continuous improvement in key ESG areas. As of the Latest Practicable Date, we have strictly complied with all applicable ESG-related laws and regulations, with no material violations.

ESG Risk Management and Materiality Assessment

We believe that systematically conducting ESG materiality assessments as well as, identifying and managing ESG-related risks are crucial for our ESG management and sustainable operations. We pay attention to stakeholders’ expectations on corporate ESG issues. Through benchmarking analysis of ESG disclosures from other industrial players, we comprehensively evaluate both the materiality to corporate financial performance and the materiality to the economy, society and environment. This enables us to conduct materiality assessments, prioritize ESG issues, identify high-materiality ESG issues and incorporate them into our ESG management policies and strategies.

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Based on industry development trends and our business operations, we have systematically identified ESG risks and opportunities that may exert a significant impact on business operations, strategic progress and financial performance, and that are of concern to stakeholders. We have formulated corresponding management and response measures as follows:

Major Issues	Potential Risks	Response Measures
Intellectual Property Protection	Improper internal management of intellectual property rights may lead to litigation and penalties, as well as the loss of contracted writers, resulting in a impairment of core content assets. The proliferation of external intellectual property infringements may adversely affect the value of our core content assets and the rights and interests of contracted writers, potentially increasing the direct costs of legal services and technical maintenance.	Internally, we strictly adhere to the principle of “authorization before use” to prevent content leaks and ownership disputes, and comprehensively protect our rights. Externally, we implement a dual protection strategy of “technology+ law”, using platform monitoring technology to track infringements and initiating rights protection actions and civil lawsuits to safeguard our core asset rights.
Business Ethics . . .	Illegal business practices may violate laws and regulations and lead to penalties, and seriously damage our reputation.	We have adhered to the principle of integrity in our operations. We have established a sound system to regulate the conduct of employees, suppliers and other relevant parties and a strict reporting process and whistleblower protection mechanism. We maintain a “zero tolerance” stance towards corruption and work together to maintain a good business environment and development order.
Compliance Management . . .	Failure to maintain compliance may have serious adverse effects on our business operation, market access and brand reputation. Failure to effectively prevent violations may also directly lead to litigations, penalties, business shutdowns and a surge in financial losses and operating costs.	We have established a top-down compliance management system, and through routine compliance audits and company-wide training, we ensure that our operations comply with legal requirements.

BUSINESS

Corporate Governance

Strategy and ESG Committee

According to the written terms of reference, the primary responsibility of the Strategy and ESG Committee is to make recommendations to the Board on our long-term development strategy, major investments and ESG management issues. The Strategy and ESG Committee consists of five members, namely Mr. Tong, Mr. Zhang Fan, Mr. Xie Guangcai, Dr. Lei Lin and Dr. Li Xiaodong, with Mr. Tong, our Chairman, serving as its convener.

Board Diversity Policy

We have adopted the Board’s diversity policy to enhance the efficiency of the Board and maintain high standards of corporate governance. We recognize and embrace the benefits of diversity in our Board’s and consider it an important factor in supporting the achievement of our strategic objectives and sustainable development. Our Board currently includes two female directors and four independent non-executive directors with diverse industry backgrounds. Combined with our existing business model and development needs, the current Board composition fully reflects our diversity philosophy and complies with our diversity policy. According to the Board’s diversity policy, the Nomination Committee will regularly monitor and evaluate the implementation of the Board’s diversity policy after the [REDACTED] to ensure its continued effectiveness.

Training and Development of Board Member

We adhere to high standards of corporate governance, and all Directors are required to attend training corresponding to their duties. For the purpose of effectively fulfilling their fiduciary duties, newly appointed independent Directors shall complete the prescribed qualification training, and all incumbent Directors shall also attend ongoing training regularly to ensure that their knowledge and competence consistently meet the latest regulatory requirements and corporate governance practices.

Compliance Management

We have consistently adhered to the principle of legal and compliant operation and strictly uphold national laws and regulations, such as the Copyright Law of the PRC, the Cybersecurity Law of the PRC and the Administrative Measures on Internet Information Services, maintaining a “zero-tolerance” stance towards illegal and irregular business practices. We have formulated and strictly abided by internal management systems, including the Contract Management System and the Content Review Standards, to regulate our daily operations. We strictly prohibit any form of content violation, data abuse or infringement of third-party rights, and resolutely prevent any behavior that may jeopardize our operational qualifications.

We prioritize compliance awareness training for our employees. We provide new employees with relevant training on compliant operations and cybersecurity. We also regularly conduct training for all employees, with a focus on key positions such as content editors, algorithm engineers and business development personnel, emphasizing specific compliance risk and detailed regulatory requirements. We regularly disseminate a compliance culture to all employees and send reminders of updated regulations, urging all employees to maintain a strong sense of compliance and self-discipline, adhere to legal and regulatory bottom lines and jointly safeguard our sound business environment and development order.

BUSINESS

During the Track Record Period, our compliance management data are as follows:

Index	Unit	Year ended December 31,		Nine months ended September 30, 2025
		2023	2024	
Number of Major Administrative Penalties	Case	0	0	0
Compliance Training Coverage	%	100	100	100

Business Ethics

We have established a rigorous business ethics management system. We have constructed a governance structure with the Board’s Audit Committee as the highest supervisory body and the monitoring and internal audit department as the core execution unit. Our monitoring and internal audit department maintains its independence and is specifically responsible for conducting investigations into anti-fraud, anti-bribery and anti-money laundering, as well as internal control evaluations and integrity risk assessments, thereby ensuring the effective exercise of supervisory power.

We have formulated and issued the Anti-Corruption, Anti-Money Laundering and Economic Sanctions Policy (Draft), the Whistleblowing Management System, the Employee Code of Conduct and the System for the Avoidance of Conflict of Interests and Filing, clearly defining the red lines for behaviors of employees. To ensure smooth supervision channels, we have made our whistleblowing email address and dedicated telephone number available to internal employees and external partners and have established a strict mechanism for protecting the confidentiality of whistleblowers, strictly prohibiting any form of retaliation.

We place great emphasis on the development and dissemination of a culture of integrity, requiring all employees to sign integrity commitment letters. Upon onboarding, new employees receive specialized integrity. Furthermore, we extend integrity management to our supply chain. When entering commercial contracts with suppliers and partners, not only do we evaluate their commercial credit and technical qualifications, we also concurrently enter into integrity agreements with them. Anti-commercial bribery clauses are explicitly incorporated into these agreements. We also actively advocate for all supply chain participants to adhere to ESG standards, thereby fostering a fair and transparent business collaboration environment.

Index	Unit	Year ended December 31,		Nine months ended September 30, 2025
		2023	2024	
Number of Adjudicated Corruption Lawsuits Against the Company or its Employees	Case	0	0	0

BUSINESS

Environmental Protection

As a digital entertainment platform centered on online literature, micro drama and IP derivatives, our business model is inherently environmentally friendly. As operating without physical production facilities, we fundamentally avoid the significant environmental impacts associated with the traditional models. Building on this, we remain actively engaged in environmental protection and improvement, as well as sustainable development, proactively fulfilling our social responsibilities by integrating environmental protection and sustainable development into our corporate strategy, and continuously fulfilling our environmental responsibilities via systematic management and substantive actions.

Our paperless reading model itself serves as an important carbon reduction initiative. This model can effectively reduce paper consumption, printing energy consumption and logistics emissions typically generated in traditional book publishing, thereby providing a sustainable path for achieving green cultural dissemination.

Energy Usage

We consistently integrate energy management into our operations, continuously improving efficiency through systematic measures and supporting business sustainability through green office practices. In daily operations, we systematically promote energy saving and consumption reduction by encouraging employees to practice water and electricity conservation and strictly enforce energy control during holidays. We also optimize air conditioning operation management, continuously upgrade energy-saving measures in offices and fully adopt energy-saving lighting and intelligent environmental control systems to improve energy efficiency.

We integrate green development into the entire operational process, relying on our digital office system to fully promote cloud services and electronic processes, thereby improving operational efficiency while reducing reliance on physical resources. Through internal policies and cultural guidance, we promote energy-saving habits among all employees and systematically mitigates the environmental impact of our operations.

During the Track Record Period, our resource utilization and consumption data are as follows:

Index	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30, 2025
Electricity Consumption	kilowatt-hours	189,720	185,410	147,180

Resource Usage

We prioritize resource conservation and recycling and are committed to building a systematic green office management system. We conduct quarterly environmental awareness campaigns, continuously conveying waste sorting standards and environmental knowledge to our employees to strengthen their awareness of conservation and create a sustainable working environment with full participation. In practice, we comprehensively promote paperless operation by digitalizing document circulation and approval processes, while advocating for double-sided or reusable printing of non-essential documents, thus controlling paper consumption at the source.

Waste Management

In fulfilment of our environmental responsibilities, we have implemented a series of waste-reduction and compliance-management initiatives. We have introduced office waste-segregation measures to ensure the proper handling and disposal of all waste categories, and we remain fully committed to promoting green office practices.

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Climate Change

We fully recognize the systemic challenges posed by climate change to society and the environment, and have incorporated greenhouse gas management into our corporate governance and operational systems.

In our emissions reduction practices, we focus on promoting a green transformation in daily operations, including encouraging employees to adopt low-carbon commuting modes to reduce commuting-related emissions, actively promoting online meetings to reduce unnecessary travel, strictly implementing national air conditioning temperature control standards and ensuring the switch of electrical equipment at night and during non-working hours to reduce operational energy consumption.

We place great importance on the management of Scope 3 emissions. As an AI-driven digital entertainment platform, the carbon emissions in our value chain primarily stem from externally procured digital infrastructure and partner services, presenting challenges including dispersed emission sources, difficult data acquisition, and complex boundary definitions. In the future, we will accelerate our efforts in Scope 3 accounting and disclosure, continuously enhancing our climate governance across the entire value chain.

During the Track Record Period, our greenhouse gas emissions data are as follows:

Index	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30, 2025
Greenhouse gas emissions (Scope 1+2)	Tons of carbon dioxide equivalent	100.67	98.38	78.09
Greenhouse gas emissions (Scope 1) ¹	Tons of carbon dioxide equivalent	0	0	0
Greenhouse gas emissions (Scope 2) ²	Tons of carbon dioxide equivalent	100.67	98.38	78.09

1. We do not involve fixed-source fuel combustion and currently have no mobile emissions such as business vehicles.
2. Scope 2 greenhouse gas emissions primarily stem from the consumption of indirect energy (purchased or procured electricity) during our operations. Relevant data references the Hong Kong Stock Exchange’s “Reporting Guidance on Environmental KPIs”, with the greenhouse gas emission factor for purchased electricity referencing the 2023 national average carbon dioxide emission factor for electricity.

We have also systematically identified and assessed the potential impact of climate-related risks on our operations. Regarding physical risks, our business operations are highly dependent on a continuous and stable energy supply. Extreme weather events (such as torrential rains and floods) may disrupt power supply stability and equipment operations, leading to service interruptions. High temperatures, on the other hand, may increase cooling energy consumption and lead to equipment overheating, reduced efficiency and data security risks. Regarding transformation risks, the continued strengthening of domestic and international climate policies, and regulations such as energy taxes and pollution control measures, may drive up operating costs and impact business performance.

BUSINESS

Society

Employee Rights and Benefits

Adhering to the “people-oriented” philosophy, we regard our employees as the core of sustainable corporate development, and are committed to building a legal, compliant, caring and inclusive work environment. We strictly abide by laws and regulations, including the Labor Law of the PRC and the Labor Contract Law of the PRC. Through the comprehensive labor contract system, the social security system and the internal management policies, we clearly define and protect the legitimate rights and interests of our employees, thus laying a solid foundation for harmonious labor relations.

We uphold the principles of equal opportunity, diversity and inclusion. We strictly follow national laws and regulations as well as international standards throughout our entire process of recruitment, employment and career development. We are committed to building a fair, transparent and non-discriminatory workplace environment. We prohibit all forms of discrimination based on factors such as gender, ethnicity, nationality, religious beliefs, family status and disability. We uphold the principle of equal pay for equal work and continuously promote gender equality in the workplace. We strictly comply with laws and regulations, including the Law of the PRC on the Protection of Minors and the Provisions on the Prohibition of Using Child Labor. We rigorously verify employee identities and resolutely prohibit the employment of child labor with reference to international standards like International Labour Organization conventions. We actively cultivate a diverse talent pool, foster an open and respectful organizational culture, and provide all employees with equal development platforms and employment opportunities.

During the Track Record Period, the composition of our employees are as follows:

Index	Unit	Year ended December 31,		Nine months ended
		2023	2024	September 30, 2025
Total Number of Employees	person	460	550	792
By Gender				
Male	person	204	246	305
Female	person	256	304	487
By Education Level				
Degrees below the Bachelor’s level	person	58	65	114
Bachelor’s Degree and Above	person	334	376	518
Master’s Degree and Above	person	68	109	160
By Age				
30 and Under	person	170	240	465
30 to 50	person	275	302	317
50 and above	person	15	8	10
By Region				
Mainland China	person	454	529	752
Hong Kong, Macao, Taiwan and Overseas	person	6	21	40

We believe that an excellent working environment is the key to attracting and retaining talent and stimulating organizational vitality. To this end, for employee health and well-being, we provide our employees with supplementary commercial medical insurance, offering multi-tiered medical protection. Concurrently, we actively promote the concept of “healthy living, happy working”, supporting the establishment of various employee clubs such as football and badminton to promote employees’ physical and mental balance.

In the field of diversity, equality and inclusion, we have established nursing rooms, hold women-themed salons and leadership sharing events to effectively support the career growth and life needs of female employees.

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To enhance management transparency and employee participation, we have established diverse and convenient internal communication and feedback channels, including face-to-face interactions with the chief executive officer, an internal hotline and a whistleblowing email address. We also hold regular all-staff meetings to encourage employees to offer suggestions directly, ensuring timely responses and implementation from the management, thereby creating an open, trusting and highly collaborative organizational atmosphere.

Employee Health and Safety

To ensure the health and safety of employees in the office environment, we have systematically established an occupational health and safety management system. Based on relevant laws and standards, we regularly conduct safety education and training, so as to enhance the safety awareness and emergency response capabilities of all employees.

In daily operations, all office spaces are equipped with comprehensive fire-fighting facilities as required, and clear and standardized emergency evacuation and first aid signs are in place to continuously optimize the safety conditions of the physical environment.

We have obtained the occupational health and safety management system certification (ISO 45001), creating a safer and more reliable working environment for our employees.

Safety and Quality of Product and Service

We focus on developing core businesses including online literature, micro drama and IP derivatives. As of the Latest Practicable Date, a number of our works have garnered high recognition from authoritative institutions and the market. We have obtained the quality management system certification (ISO 9001) and the information technology service system certification (ISO 20000), providing robust assurance for delivering standardized, high-quality digital content to our users and content partners.

Information Security

We attach great importance to the protection of user privacy by strictly adhering to laws including the Law of the PRC on Protecting Consumers’ Rights and Interests, the Data Security Law of the PRC, the Cybersecurity Law of the PRC and the Personal Information Protection Law of the PRC. We also uphold the principles of legality, legitimacy, transparency and necessity in the collection and use of personal information, strengthen employees’ awareness of information security and confidentiality and strictly regulate the authorization process. We have also formulated the Personal Information Security Management Guidelines to further regulate our data processing activities in relation to personal data.

We have obtained the information security management system certification (ISO 27001), providing robust support for effectively mitigating cybersecurity risks, ensuring compliant platform data operations and achieving standardized and systematic information security management.

Social Contribution

We have always placed the fulfilment of corporate social responsibility at the forefront of our development and have actively promoted educational equity and technological advancement, striving to contribute significantly to the sustainable development of the society. We are a key partner of the Hunan Wispring Education Development Foundation, providing long-term and systematic support for the development of rural education in China. We firmly believe that, for enterprises, philanthropy is not only a moral obligation but also a crucial pathway to achieving sustainable value.

BUSINESS

LICENSES, APPROVALS AND PERMITS

As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals, permits and certificates from the competent government departments and regulatory authorities in China, and such licenses, approvals, permits and certificates remained in full effect and had not been revoked or cancelled as of the Latest Practicable Date.

The following table sets forth the key licenses and permits material to our business and operation as of the Latest Practicable Date:

Holder	Name of license/permit	Date of issue	Date of expiry
Company	Value-added Telecommunications Business License	December 28, 2021	December 28, 2026
	Internet Publishing Service License	February 24, 2023	February 9, 2028
	Publication Operation License	July 17, 2023	April 30, 2028
	Reproduction Operation License	November 20, 2023	February 28, 2028
	Radio and Television Programme Production and Operation License	June 6, 2025	June 6, 2027
	Internet Cultural Operation License	December 1, 2023	December 1, 2026
ChineseAll Culture Media	Value-added Telecommunications Business License	February 20, 2025	February 20, 2030
	Internet Cultural Operation License	May 17, 2024	May 27, 2027
ChineseAll Education Technology	Value-added Telecommunications Business License	July 9, 2025	July 9, 2030
	Internet Cultural Operation License	July 12, 2024	July 23, 2027
	Internet Publishing Service License	April 13, 2023	February 12, 2028
	Publication Operation License	August 16, 2022	April 30, 2028
Hongda Yitai	Value-added Telecommunications Business License	July 31, 2023	April 6, 2027
	Value-added Telecommunications Business License	July 31, 2023	September 22, 2027
	Internet Cultural Operation License	June 13, 2023	June 12, 2026
	Publication Operation License	July 17, 2023	April 30, 2028
	Radio and Television Programme Production and Operation License	May 29, 2025	May 29, 2027

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Holder	Name of license/permit	Date of issue	Date of expiry
Tianjin Guangzhiying	Radio and Television Programme Production and Operation License	March 24, 2025	March 31, 2027
Changchun Guangzhiying	Radio and Television Programme Production and Operation License	April 1, 2025	March 31, 2027
	Value-added Telecommunications Business License	April 11, 2025	February 19, 2030
Maibu Information.	Internet Cultural Operation License	March 10, 2025	March 15, 2028
	Value-added Telecommunications Business License	July 27, 2023	July 20, 2027
Guangzhou 4yt	Value-added Telecommunications Business License	August 18, 2023	April 21, 2028
Hangzhou ChineseAll	Radio and Television Programme Production and Operation License	April 1, 2025	March 31, 2027
Hangzhou 4yt.	Radio and Television Programme Production and Operation License	April 1, 2025	March 31, 2027
	Publication Operation License	December 2, 2025	December 31, 2030
Liaoning Yexiang.	Value-added Telecommunications Business License	February 21, 2023	August 10, 2027
	Radio and Television Programme Production and Operation License	June 9, 2025	June 8, 2027
Tianjin Xiangwu	Value-added Telecommunications Business License	January 12, 2023	July 14, 2027
	Internet Cultural Operation License	June 30, 2025	July 3, 2028
	Radio and Television Programme Production and Operation License	March 31, 2025	March 31, 2027
Guangxi Yexiang	Value-added Telecommunications Business License	August 24, 2023	March 2, 2028
	Radio and Television Programme Production and Operation License	October 24, 2024	November 7, 2026
	Internet Cultural Operation License	July 5, 2023	April 25, 2026
Anhui Yexiang	Radio and Television Programme Production and Operation License	July 1, 2024	March 31, 2026

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Holder	Name of license/permit	Date of issue	Date of expiry
Hainan ChineseAll	Value-added Telecommunications Business License	November 24, 2022	November 24, 2027
	Internet Cultural Operation License	April 11, 2023	April 10, 2026
	Radio and Television Programme Production and Operation License	March 4, 2025	March 31, 2027
Hanmu Chunhua	Radio and Television Programme Production and Operation License	July 8, 2024	July 8, 2026
Tianjin ChineseAll	Value-added Telecommunications Business License	July 4, 2023	December 23, 2027
	Internet Cultural Operation License	August 21, 2025	August 22, 2028

We will renew the above licenses, approvals, permits and certificates before expiration. As advised by our PRC Legal Advisor, there are no legal impediments to the renewal of the relevant licenses, approvals, permits and certificates so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the relevant laws and regulations.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We have obtained insurance to cover certain potential risks and liabilities. In particular, our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance, as required by PRC laws and regulations.

During the Track Record Period, we did not make any material insurance claims in relation to our business. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. However, our insurance policies are subject to standard deductibles, exclusions and limitations. As a result, our insurance policies may not be able to cover all of our losses, and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. For details, see “Risk Factors — Risks Relating to our Business and Industry — We have limited insurance to cover our potential losses and claims”.

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EMPLOYEES

As of September 30, 2025, we had 792 employees in total across our global operations. 752 employees were based in the PRC, while the remaining 40 employees were based overseas, mainly including Japan, Singapore and the U.S. The following table sets forth a breakdown of our employees by function and geographical location as of the same date.

Function	Number of employees	% of total employees
Content and operation	437	55.2%
Product and technology	190	24.0%
Management	50	6.3%
Sales and marketing	36	4.5%
Legal, accounting and human resources	79	10.0%
Total	792	100.0%
Geographical location		
PRC	752	94.9%
Other countries and regions	40	5.1%
Total	792	100.0%

Our success deeply depends on our ability to attract, retain and motivate qualified talents, and we believe that our high-quality talent pool is one of our competitive advantages. We primarily recruit our employees through various methods, including campus recruitments, media advertising, online recruitments and internal referrals. We recruit employees based on a number of factors such as their educational background, working experience, professional qualifications, our expansion strategy and job vacancies. Standard employment contracts and confidentiality agreements are signed with our employees, and we have also entered into non-compete agreements with certain employees.

Empowering our employees to grow is one of the core elements of our corporate culture. We offer our employees a range of training programs, including onboarding training, professional skills training, and management training. We also strive to provide employees with comprehensive social benefits, a safe working environment and diverse career development opportunities. Meanwhile, we strictly abide by the laws, regulations and standards on workplace safety in relevant countries and regions, and are committed to creating a safe and healthy working environment for employees, and ensuring the safety and physical and mental health of employees. Labor unions have been established to protect our employees’ rights, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant labor disputes.

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RISK MANAGEMENT AND INTERNAL CONTROL

To monitor and reduce the impact of risks relevant to our business operations, improve our corporate governance and ensure compliance with the applicable laws and regulations, we have established internal control procedures and risks management measures. We have adopted a series of internal policies, guidelines and procedures to strengthen corporate governance and mitigate risks. Based on our actual business needs and in compliance with applicable laws and regulations, we may engage in foreign exchange hedging transactions with financial institutions to mitigate and manage exchange rate risks. These transactions may include forward foreign exchange contracts, foreign exchange swaps, currency swaps, foreign exchange options and other foreign exchange derivative instruments. Our Group is committed to building and maintaining a strong culture of compliance among all employees. During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant hedging activity.

We place particular emphasis on content compliance, and we have established a dual-review mechanism encompassing automated content screening and manual content reviewing. For details, see “Online Literature and Related Business — Our Online Literary Content — Content Creation — Content screening and reviewing”. This mechanism is designed to ensure that the content published on our platforms complies with relevant laws and regulations. To keep our reviewing standards aligned with evolving regulatory requirements, our content review team regularly monitors violation cases published by regulatory authorities and studies newly enacted relevant laws and regulations.

We have established and implemented a set of policies and procedures for IP management, covering IP acquisition and contracting, review and approval procedures for use of IP resources, IP registration and renewal, as well as other functional support and data maintenance across all stages of IP management. In addition, to ensure effective protection and sustainable commercialization of our core IP portfolio, we conduct periodic evaluations of such core IPs, encompassing verification of legal status, assessment of market value, risk rating, and renewal feasibility analysis with corresponding budget planning.

The internal control evaluation is led by our Board of Directors and its Audit Committee, with the audit department playing a central role in coordinating a cross-functional evaluation team. To ensure the robustness of the internal control evaluation, the team applies a variety of assessment methods, including individual interviews, questionnaires, focused discussions, walkthrough tests, statistical sampling and comparative analysis. These methods are employed to comprehensively gather evidence concerning the design and operating effectiveness of internal controls, and to identify both design flaws and operational deficiencies where applicable.

Furthermore, we have implemented enhanced internal controls to strengthen operational efficiency, financial reliability, and regulatory compliance. Going forward, we will continue to regularly review and improve our internal policies, measures and procedures to ensure continuous alignment with evolving operational requirements, regulatory development and industry best practices.

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BUSINESS SUSTAINABILITY

Summary of Our Historical Financial Performance

Our overall gross profit and gross profit margin decreased in 2024, primarily due to (i) increased domestic to-C online literature business (online reading through mini programs) that had a relatively lower gross profit margin, due to intense competition in the domestic market and (ii) loss of gross profit from Crazy Maple Studio following its deconsolidation which had overseas online literature business with a higher profit margin. As a result, we recorded profit and net profit margin in 2023 as compared to loss and net loss margin in 2024.

However, both gross profit and gross profit margin rebounded in the nine months ended September 30, 2025, with gross profit increasing significantly by 42.1% and the margin expanding from 30.2% to 34.4%. This recovery was driven by improved profitability from (i) our to-C overseas online literature business benefiting from improvement on efficiency of literature creation through AI technology, (ii) our domestic to-B online literature business and (iii) FlareFlow, our flagship overseas micro drama business. However, in 2025, FlareFlow business incurred relatively higher selling and marketing expenses to achieve rapid user base expansion. As a result, we recorded increased loss and net loss margin for the nine months ended September 30, 2025.

For details regarding the foregoing financial information and analysis, see “Financial Information — Description of Selected Items in the Consolidated Statements of Profit or Loss and Other Comprehensive Income, and Period to Period Comparison of Results of Operations”.

We prioritize business sustainability as the bedrock of our operations, constantly striving to generate lasting value and foster resilience in a fiercely competitive and fast-changing market. We aim to achieve this through reaching profitability while maintaining working capital sufficiency.

Pathway to Profitability

To achieve profitability, we aim to (1) focus on driving our revenue growth in untapped overseas micro drama market and cosmic market; (2) phase out businesses that have lower profit margins; (3) achieve higher production and distribution efficiency for our overseas micro dramas business; and (4) gain effective control of selling and marketing expenses for our overseas micro dramas business.

Focusing on driving our revenue growth in untapped overseas micro drama market and AI motion comics market

We have been continually focusing on expansion of the untapped overseas micro drama market by increasing penetration rate among geographies both in regions we have already operated in and new markets. We have recorded impressive overseas micro drama business growth. Current penetration rate of overseas micro drama market is low, by further leveraging our advantage in self-owned IP assets derived from our online literature business, we expect to seize the potential robust market growth. In addition to further expand our business in existing business segment, considering our advantage in literature copyrights, experience in developing micro drama and AI technology, we have scaled up AI motion comic business in late 2025, where it is expected to be a new revenue driver going forward.

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Phasing out Business with Lower Profit Margins

We have been constantly optimizing our business mix in light of the rapidly evolving markets. During the Track Record Period, our online literature and related business recorded gross profit margin of 40.6% and 24.4% in 2023 and 2024 respectively. The decline in gross margin was primarily due to the increased scale of domestic to-C online literature business (through mini programs) in 2024, which mainly involved sale of online literature products through mini programs. This incurred relatively high level of distribution costs and rendered lower segmental gross margin. We subsequently strategically decided to scale down the domestic to-C online literature business through mini programs in 2025 given its relatively lower gross margin, and our online literature and related business's gross margin improved to 31.5% in the nine months ended September 30, 2025. Additionally, we strategically shifted to to-B micro dramas business and discontinued domestic to-C micro dramas business through mini programs, leading to decreased distribution costs from 2023 to 2024. Going forward, we expect to continue phasing out the domestic to-C online literature business through mini programs, and focus on domestic to-B online literature business and to-B micro dramas business, which enjoys much higher gross margin since this business model does not require high level of distribution costs.

Achieving Higher Production and Distribution Efficiency for our Overseas Micro Dramas Business

Production and distribution costs are two main components of the cost of sales for our overseas micro dramas business. We aim to continuously improve our production and distribution efficiency for our overseas micro dramas business. For production costs efficiency improvement, we expect to gradually increase the number of overseas micro dramas produced in our Hengqin filming base in Zhuhai, China, which commenced trial operations since January 2026. In the past, we mainly filmed our overseas micro dramas in the U.S. The production costs per overseas micro drama in our Hengqin filming base are expected to be much lower than that of overseas micro dramas filmed in our U.S. base, while ensuring comparable content quality, primarily due to lower outsourcing service costs, labor costs, and rental costs in China than in the U.S. We expect, in the long term, about 50% of all of our overseas micro dramas will be filmed and produced in our Hengqin filming base, and this is expected to significantly lower our production costs as percentage of revenue. Additionally, benefit from recent development of AI technology on film production, the production cost is expected to further controlled. For distribution efficiency, we intend to partner with new payment channel partners. Through these new partnerships, we expect to receive better channeling pricing and hence enjoy lower distribution fees compared to those charged by our existing distribution partnerships.

Gaining Effective Control of Selling and Marketing Expenses for Our Overseas Micro Dramas Business

Selling and marketing expenses is a key operational expense for us during the Track Record Period, which accounted for 34.2%, 40.1%, and 65.3% of revenue in 2023, 2024 and the nine months ended September 30, 2025 respectively. The significant increase from 2024 to the nine months ended September 30, 2025 was primarily due to the increase in scale of our FlareFlow business, driven by its aggressive marketing and user acquisition efforts during the period. We thrive to continuously improve marketing and user acquisition efficiency for our overseas micro dramas business, primarily through (i) FlareFlow's rapidly expanding reserve of high-quality micro dramas, which will serve to attract new users while retaining existing users with less selling and marketing spending needed, (ii) partnerships with additional leading KOL platforms that will enable better fee model with more performance-based ads spending (v.s. previously FlareFlow needed to pay advertising fees upfront to partnering platforms without guaranteed outcomes), and (iii) Company's increasing usage of AI technologies to better match users with more suitable content and package offerings. Additionally, the deployment of AI technologies will also serve to reduce the level of personnel salary, share-based payments and welfare through AI-generation of ads, and promotional materials and AI-enabled ads placements. Through these measures, we expect that our selling and marketing expenses to revenue ratio for our overseas micro dramas business will continue to increase and as a result, our overall profitability will continue to improve.

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Pathway to Achieve Working Capital Sufficiency

During the Track Record Period, we had funded our cash requirements primarily with capital contribution from shareholders and financing through bank borrowings. As of January 31, 2026, we had RMB238.6 million in cash and cash equivalents. Our total cash balance is sufficient to cover our net cash flows used in operating activities and provide adequate liquidity for our expansion of business operations. Meanwhile, we expect the improvement in our revenue and profitability based on the foregoing measures can further solidify our working capital and cash positions. As such, we believe that we possess sufficient working capital, including sufficient cash and liquidity assets, after taking into account the financial resources available to us, including the [REDACTED].

To achieve and maintain working capital sufficiency in the foreseeable future, we aim to (1) improve business efficiency, especially on our profitability to generate positive operating cash flow; and (2) gain capital through [REDACTED] [REDACTED].

Improve business efficiency, especially on our profitability to generate positive operating cash flow

We expect to implement effective operating leverage to enhance our profitability as described above. We also intend to improve our forecasting capability on customer demand, improve manufacturing planning and enhance inventory management protocol to optimize inventory levels and change dynamically to fulfill the market demand.

Gain capital through [REDACTED] [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] will be approximately HK\$[REDACTED] million, after deducting [REDACTED] fees and other related expenses payable by us in the [REDACTED], assuming the [REDACTED] are not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range in this document.

The foregoing forward-looking statements on our future revenue and profitability are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Our business growth and long-term profitability are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, and they may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements set out above. For related risks, see “Risk Factors — Risks Relating to Our Business and Industry”.