
FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to enhance our market share in the business that we operate. See “Business – Business strategies” in this document for detailed description of our future plans and business strategies.

REASONS FOR THE [REDACTED]

Our Directors believe that the [REDACTED] could bring necessary funding from the equity capital market to our Group to support and fuel its long-term business strategies and business expansion:

- **capture market opportunities to further expand our Group’s Media Content Distribution Business:** founded in 2000 in Hong Kong, we have become a leading distributor of third-party owned media content capable of distributing media content relating to animation series, variety shows, drama series and feature films. Other than our headquarters in Hong Kong, we have staff in the PRC, Singapore, Malaysia, Taiwan, Indonesia and Japan to conduct sales activities and liaise with our media content licensor and customers. Throughout many years of our development, our Group mainly relied on our internal financial resources and interest-free borrowings from our existing Shareholder(s) to support our organic business growth. However, as our business has grown into a certain scale, we have increasing capital demand for our business operations and have greater fund raising needs to achieve its long-term business strategies. For example, since our licensors normally require our Group to make advance payment/minimum guarantee payment to them prior to our Group generating royalty income, our Group’s funding requirement for such advance payment/minimum guarantee payment is expected to further increase as our business for our product portfolio of media content and to enhance our overseas distribution network.

Moreover, our Directors see great market growth potentials in the media content distribution market for both Japanese animation and foreign drama. According to the Frost & Sullivan Report, the global revenue of Japanese animation content distribution market is expected to grow from approximately HK\$55.5 billion in 2018 to approximately HK\$75.5 billion in 2022, with a CAGR of 8.0%. Our Group intends to first enhance our established position in existing markets in the Philippines, Thailand, Singapore and Malaysia and then gradually and strategically expand into new regions, such as Vietnam and Cambodia. According to the Frost & Sullivan Report, the total market size of the Japanese animation distribution market of the Southeast Asia countries including the Philippines, Thailand, Singapore, Malaysia, Vietnam and Cambodia is expected to grow from approximately HK\$202.5 million in 2018 to HK\$339.3 million in 2022, with a CAGR of 13.8%. The market size of foreign drama distribution in these Southeast Asian countries is expected to grow from approximately HK\$290.1 million in 2018 to HK\$395.1 million in 2022, with a CAGR of approximately 8.0%. To capture such market opportunities, we plan to apply a portion of our net proceeds from the [REDACTED] to obtain additional licence rights for feature films, drama series and animation series. We would also like to acquire inflight entertainment rights of certain media content to expand into the inflight entertainment market. For further details regarding our reasons and plans for increasing our market share in our Media

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Content Distribution Business and expanding our markets in the Southeast Asian countries, see “Business – Our strategies – Enrich and expand our media content offerings to stay abreast of evolving view preferences” and “Business – Our strategies – Enhance our position in existing markets and strategically expand into other selected markets” in this document, respectively;

- **expand our Brand Licensing Business by increasing our brand offering:** with MAIL becoming part of our Group in August 2018, our Directors expect that our Brand Licensing Business will continue to expand. According to the Frost & Sullivan Report, the global entertainment and character IP licensing market is expected to grow steadily from approximately HK\$59.0 billion in 2018 to approximately HK\$74.8 billion in 2022, with a CAGR of 6.1%. Driven by the increasing consumption ability of Chinese consumers, the PRC entertainment and character IP licensing market has witnessed rapid development in the past years and according to the Frost & Sullivan Report, the total revenue generated from the PRC entertainment and character IP licensing market will increase from approximately HK\$3.8 billion in 2018 to approximately HK\$5.8 billion in 2022, with a CAGR of 11.2%. Further, entertainment and character IP licensing is a high value-added practice for downstream licensees such as manufacturers for apparels, toys, fashion accessories and service providers for credit card, insurance and business services, especially for brands from animation and comics according to the Frost & Sullivan Report. By obtaining IP rights for use in conjunction with their products or services, the licensees can use the IP as a marketing tool to shorten the time span for market acceptance and recognition and hence achieve better business results. The increasing demand from downstream licensees is expected to further drive the entertainment and character IP licensing market.

Our Directors seek opportunities to acquire licensing rights of international lifestyle, fashion and character brands, Hong Kong brands and acquiring additional exploitation rights for our existing brands. Our Directors expect that our Group will be able to cooperate with more premium/high profile brands by offering minimum guarantee payment to them. In order to fund such advance payment/minimum guarantee payment, we plan to apply a portion of our net proceeds from the [REDACTED] to obtain licensing rights of additional media content. For further details regarding our reasons and plans for increasing our brand offerings, see “Business – Our strategies – Expand our Brand Licensing Business by increasing our brand offerings” in this document;

- **gain access to capital market:** the [REDACTED] will broaden our shareholder base and enhance our access to capital for future growth with opportunities to raise funds not only from the [REDACTED] but also at a later stage. Moreover, our Directors have considered using debt financing from banks to fund our future business growth. However, the interest rate on bank loans is expected to be on an upward trend in the future and thus our Group would be subject to high interest cost if we decide to adopt such financing option. Therefore, our Directors are of the view that fund-raising through [REDACTED] will reduce our financing costs and increase our financial strength;

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- **enhance our profile, visibility and our market presence:** we believe that both our customers (including online media platforms and media networks, as well as manufacturers and shopping malls) and suppliers (including renowned media content licensors and brand licensors) prefer working with business partners which are listed companies given their reputation, corporate governance and listing status. By way of [REDACTED], we can elevate our corporate image and status and strengthen confidence of our customers and suppliers, which in turn provides a more level playing field when we explore new business opportunities with our customers and suppliers. Moreover, the additional financial resources from the [REDACTED] will enable us to further consolidate our financial strength and enhance our capacity and efficiency in serving customers. Our Directors believe that this can fuel our business growth in a much faster pace and improve our market competitiveness;
- **enhance our operational efficiency and corporate governance:** we believe that our operational efficiency and corporate governance will be improved through compliance with rigorous disclosure standards which would further enhance our internal control and risk management; and
- **enhance employee incentive and commitment:** human resources and talents are vital to our business. The status of being a listed company can help us strengthen our manpower and attract, recruit and retain our valued management personnel and skilled employees and provide additional incentive.

In light of the foregoing, the [REDACTED] will further complement our liquidity position as reflected during our Track Record Period.

[REDACTED]

We estimate that the aggregate net proceeds to us from the [REDACTED] (after deducting [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range) will be approximately HK\$[REDACTED], assuming that [REDACTED] is not exercised. We currently intend to apply such net proceeds in the following manner:

- (1) approximately [REDACTED]%, or HK\$[REDACTED], will be used to strengthen our market position and enhance the financial position of our Company to cope with the anticipated expansion of our Media Content Distribution Business. We experience a mismatch in time between receipt of payments from our customers and settlement of our advance payment/minimum guarantee payments due to the media content licensors from time to time. Pursuant to the content distribution agreements between our Group and the media content licensors, we are required to make advance payment/minimum guarantee payments to them upon signing of the agreements or at the early stages after commencement of the licence periods prior to our Group generating royalty income. We have historically met our substantial cash requirements by relying principally on cash flows from operations and interest-free borrowings from our existing Shareholders. In order to cope with the

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anticipated expansion of our business, we intend to use the aforementioned amount to settle the advance payment/minimum guarantee payments for obtaining licensing rights of the following media content in addition to the acquisition of licensing rights in the usual course of our business:

Categories	Number of titles (not more than)
Japanese animation series	6
Chinese/Asian drama series	1
Animated feature film	3
Live-action feature film	2
Inflight entertainment content (such as live-action feature films)	20
Total:	32

(2) approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our Brand Licensing Business:

(i) approximately [REDACTED]%, or HK\$[REDACTED], will be used for settlement of our advance payment/minimum guarantee payments due to brand licensors. In order to expand our brand offerings, we intend to use the aforementioned amount to obtain licensing rights of the following:

Brands	Number of brands (not more than)
International lifestyle, fashion and character brand	4
Hong Kong brand	5
Acquiring additional exploitation rights for existing brand	2
Total:	11

(ii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for cooperating with different entities such as shopping malls, event venues and event organisers for pop up stores and obtaining master event licensing rights for our existing and new brands;

(iii) approximately [REDACTED]%, or HK\$[REDACTED], will be used for marketing expenses of new Hong Kong brands;

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- (3) approximately [REDACTED]%, or HK\$[REDACTED], will be used for relocation and renovation of our Hong Kong office and upgrading our information technology equipment to facilitate our expansion.

The table below sets out details of our budget for relocating and setting up our new office in Hong Kong:–

Details for relocating our new Hong Kong office	Estimated cost (HK\$ '000)
Rental costs of an office of a GFA not exceeding 12,000 sq.ft. for the first 12 months	5,800
Fitting out costs	2,500
Furniture	3,000
Information technology network and database system	2,000
Upgrade of computers and other equipment for additional staff and replacement of obsolete ones	900
Total:	<u>14,200</u>

- (4) approximately [REDACTED]%, or HK\$[REDACTED], will be used for co-investment in the production of media content. The said amount will be used to invest in not more than three live-action featured films, three animation series and two Chinese live-action drama series;
- (5) approximately [REDACTED]%, or HK\$[REDACTED], will be used for expanding our media content team, brand licensing team and expanding our workforce and enhancing back office support in our Hong Kong headquarter and overseas offices. The said amount will be used to pay for the salary for the additional manpower in the first year for the recruitment of not more than 26 staff which may include:

Function	Expected role	Number of staff (not more than)
Media content team		
Management	Formulate business strategies and exploring new markets	1
Acquisition	Acquire media content	3
Sales	Explore new markets and reaching out to new customers	2
Marketing and business development	Develop and market our business including promoting our VOD services and attending trade fairs	3
Design	Provide design services	1
Project coordination	Support in all new projects including investment projects	1
	Subtotal:	<u>11</u>

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Function	Expected role	Number of staff (not more than)
<i>Brand licensing team</i>		
Licensing management	Identify new business partners in the PRC and South East Asia markets and explore event business opportunities	2
Sales	Perform sales function	3
Acquisition	Acquire new licensing rights in different regions	2
Design	Provide design services	1
Administration	Support administrative function	1
Marketing	Promoting our business in the Southeast Asia market	1
	Subtotal:	10
<i>Supporting team</i>		
Information technology	Provide information technology support	1
Legal	Perform legal advisory role and review contracts	1
Administration and human resources	Administrative support function	3
	Subtotal:	5
	Total:	26

- (6) approximately [REDACTED]%, or HK\$[REDACTED], will be used for our general working capital purposes.

If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED] (being the high-end of the indicative [REDACTED]), HK\$[REDACTED] per [REDACTED] (being the low-end of the indicative [REDACTED]) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the [REDACTED] is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the [REDACTED] to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended [REDACTED] to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the [REDACTED] as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the [REDACTED] are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.