

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

As a major drama series producer and distributor in the PRC, we focus our business in the investment, development, production and distribution of TV series and web series. In the future, we plan to continue to maintain our leading market position, further take advantage of our platform business model and explore business innovations. Besides continuing to invest, develop, produce and distribute more drama series, we plan to execute the following strategies to achieve our goals: (i) continue to deepen our platform business model and enhance our production and distribution capabilities; (ii) make selective investment in or acquisition of companies that can enhance our market position and ramp up our drama series development, production and distribution capabilities; (iii) continue to explore opportunities from online video platforms to develop new businesses in terms of cooperation models, drama series innovation and derivative opportunities to diversify our monetization methods; and (iv) further recruit seasoned professionals in support of project initiation, production and financial management, marketing and promotion, quality control as well as completion and delivery management through internal recommendation. See “Business — Our Strategies” for a detailed description of our future plans and business developments.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$872.9 million, assuming an Offer Price of HK\$5.63 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions, and estimated expenses paid or payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised.

In line with our strategies, we intend to apply the net proceeds from the Global Offering for the following purposes and in the amounts set forth below:

- approximately 70.0% of the net proceeds, or HK\$611.0 million, is expected to be used to fund our drama series production. For drama series to be funded in part with net proceeds from the Global Offering, we plan to fund the remaining amounts through cash from operations and trade receivables collected. The table below sets forth the detailed information of the drama series that we plan to use the net proceeds to fund:

No.	Name of the Drama Series	Business Nature	Genre	Number of Episodes	Estimated Total Investment Amount/Our Investment Percentage	Estimated Investment Amount from the Net Proceeds	Actual/Expected Time of Public Record	Estimated Broadcasting Time
					(RMB in millions)	(RMB/HK\$ in millions)		
(1)	Our Destiny In Self-Redemption (浮圖緣)	Made-to-order drama series	Period fantasy	30	145.0/100.0%	58.0/68.6	April 2020	In the fourth quarter of 2021
(2)	Flying To The Moon (月歌行)	Made-to-order drama series	Period Fantasy	40	191.0/100.0%	76.4/90.4	April 2020	In the first quarter of 2022

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No.	Name of the Drama Series	Business Nature	Genre	Number of Episodes	Estimated Total Investment Amount/Our Investment Percentage	Estimated Investment Amount from the Net Proceeds	Actual/Expected Time of Public Record	Estimated Broadcasting Time
					(RMB in millions)	(RMB/HK\$ in millions)		
(3)	Handsome Yong Master (公子傾城)	Made-to-order drama series	Period	24	73.0/100.0%	29.2/34.6	June 2020	In the fourth quarter of 2021
(4)	Hello Baby (你好寶貝)	Self-produced drama series	Metropolitan	40	180.0/60.0%	43.2/51.1	November 2018	In the second quarter of 2021
(5)	My Mr. Cat (我的貓先生)	Made-to-order drama series	Metropolitan	30	130.0/100.0%	52.0/61.5	In the fourth quarter of 2020	In the third quarter of 2021
(6)	Steal His Heart (偷走他的心)	Made-to-order drama series	Metropolitan	36	162.0/100.0%	52.0/61.5	In the fourth quarter of 2020	In the first quarter of 2022
(7)	The Wind Catcher (捕風者)	Self-produced drama series	War / Spy	40	200.0/60.0%	66.0/78.1	In 2021	In 2022
(8)	Two Capitals (兩京十五日)	Made-to-order drama series	Period fantasy	40	320.0/100.0%	191.5/226.6	In 2021	In 2022

- approximately 10.0% of the net proceeds, or HK\$87.3 million, is expected to be used to fund potential investment in, or merger and acquisition of, companies that may enhance our market position and ramp up our drama series development, production and distribution. In particular, we plan to acquire at least one downstream market player engaged in post-production. As advised by our Industry Consultant, Frost & Sullivan, there were approximately 3,000 post-production companies with various scales of operation on the market as of June 30, 2020. Even though we had not identified a definite acquisition target as of the Latest Practicable Date, we plan to secure an acquisition target with an estimated market value between approximately RMB300 million and RMB500 million within about two years after the Listing. We believe that, after consulting with Frost & Sullivan, the suitable targets are available on the market as the post-production market is highly fragmented involving various types of market players with different backgrounds and scales. Our key motivation behind the merger and acquisition is to improve our post-production ability and capacity through acquiring post-production resources and strengthen the synergies among our business lines. Other than the net proceeds from the Global Offering, we plan to fund the acquisition through cash generated from operations as well as bank loans. We believe the proposed acquisition will enhance our production capacities, reduce our production costs and increase our profitability. See “Business — Our Strategies — Further expand our business through selective investments, mergers and acquisitions;”
- approximately 10.0% of the net proceeds, or HK\$87.3 million, is expected to be used to secure more IPs to guarantee the stable growth of our drama series production and distribution by acquiring one premium copyright company which focuses on investment, development, production and distribution of web series. As advised by our Industry Consultant, Frost & Sullivan, there were more than 900 copyright companies focusing on

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investment, development, production and distribution of web series with various scales of operation on the market as of June 30, 2020. Although we did not have any ascertainable target company to acquire as of the Latest Practicable Date, our development department will closely monitor the market trend and conduct market research regarding the preference of audience, especially online video viewers, from time to time, to help us select a suitable target with an estimated market value of no more than approximately RMB200 million within about two years after the Listing. Therefore, we believe that, after consulting with Frost & Sullivan, the suitable targets are available on the market as the market landscape of IP exploitation is highly dynamic with various market players which have diversified backgrounds and scales. Our key motivation behind the merger and acquisition is to promote our business development through acquiring resources of web series production, improve our efficiency and enhance the supply capability of higher-quality traffic. Other than the net proceeds from the Global Offering, we plan to fund the acquisition through cash generated from operations as well as bank loans. We believe that the proposed acquisition of such premium copyright company will secure our stable growth by providing us with high-quality and diversified IPs to meet our production demand to continuously deliver quality drama series and cater to the different preferences of audiences, and it should not substantively affect our cost structure but be able to help us to achieve a steady growth in our revenue;

- approximately 10.0% of the net proceeds, or HK\$87.3 million, is expected to be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$6.16 per Offer Share, being the high end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be increased by approximately HK\$86.1 million. If the Offer Price is fixed at HK\$5.10 per Offer Share, being the low end of the Offer Price range stated in this prospectus and assuming no exercise of the Over-allotment Option, the net proceeds will be reduced by approximately HK\$86.1 million. To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK\$150.1 million (assuming an Offer Price of HK\$6.16 per Offer Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK\$137.2 million (assuming an Offer Price of HK\$5.63 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of *force majeure* events, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we will only apply such unused net proceeds in short-term deposits with licensed banks or financial institutions in Hong Kong or the PRC.

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REASONS FOR THE LISTING

Our Directors believe that the Listing is important and beneficial to our Company and our Shareholders as a whole for the following reasons:

- the Listing could provide us with a compelling and balanced fundraising platform in line with our business expansion. On one hand, the Listing will enhance the capital base of our Group and provide our Group with additional working capital to support our future development, especially to implement the future plans and business developments set forth in “Business — Our Strategies;” on the other hand, compared with debt financing, equity financing is interest-free, which will effectively reduce our interest expenses and financing costs to some extent while supporting our future development through building a more balanced capital structure;
- a public listing status will strengthen our Group’s profile, brand name and recognition in the market, and thereby to attract more strategic investors;
- the Listing will enhance our Group’s operational efficiency and corporate governance through compliance with rigorous disclosure requirements which we believe would lead to improvement in our corporate governance and internal control systems; and
- the Listing will enhance the liquidity of our Shares which will be freely traded on the Stock Exchange as compared to the limited liquidity of our Shares as a private company.