



Star Plus Legend Holdings Limited
巨星傳奇集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6683

Global Offering

Sole Sponsor and Sole Overall Coordinator



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Star Plus Legend Holdings Limited 巨星傳奇集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

| | |
|--|---|
| Number of Offer Shares under the Global Offering | : 126,640,000 Shares (comprising 78,640,000 New Shares and 48,000,000 Sale Shares, subject to the Over-allotment Option) |
| Number of Hong Kong Offer Shares | : 12,664,000 New Shares (subject to reallocation) |
| Number of International Offer Shares | : 113,976,000 Shares (comprising 65,976,000 New Shares and 48,000,000 Sale Shares, subject to reallocation and the Over-allotment Option) |
| Offer Price | : HK\$4.25 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund) |
| Nominal value | : US\$0.00001 per Share |
| Stock code | : 6683 |

Sole Sponsor and Sole Overall Coordinator



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price has been determined at HK\$4.25 per Share between the Sole Overall Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and our Company. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$4.25 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. For details of such grounds, please refer to the paragraph headed "Underwriting - Underwriting Arrangements and Expenses - Hong Kong Public Offering - Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.splend.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

Please refer to "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which applications for the Hong Kong Offer Shares can be made electronically.

June 30, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.splend.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table.

| No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application |
|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|
| | <i>HK\$</i> | | <i>HK\$</i> | | <i>HK\$</i> | | <i>HK\$</i> |
| 500 | 2,146.43 | 7,000 | 30,050.02 | 50,000 | 214,643.07 | 700,000 | 3,005,002.88 |
| 1,000 | 4,292.86 | 8,000 | 34,342.89 | 60,000 | 257,571.68 | 800,000 | 3,434,289.00 |
| 1,500 | 6,439.29 | 9,000 | 38,635.75 | 70,000 | 300,500.29 | 900,000 | 3,863,575.13 |
| 2,000 | 8,585.72 | 10,000 | 42,928.61 | 80,000 | 343,428.90 | 1,000,000 | 4,292,861.26 |
| 2,500 | 10,732.16 | 15,000 | 64,392.92 | 90,000 | 386,357.51 | 1,500,000 | 6,439,291.88 |
| 3,000 | 12,878.58 | 20,000 | 85,857.23 | 100,000 | 429,286.13 | 2,000,000 | 8,585,722.50 |
| 3,500 | 15,025.01 | 25,000 | 107,321.53 | 200,000 | 858,572.26 | 2,500,000 | 10,732,153.13 |
| 4,000 | 17,171.45 | 30,000 | 128,785.83 | 300,000 | 1,287,858.38 | 3,000,000 | 12,878,583.76 |
| 4,500 | 19,317.88 | 35,000 | 150,250.14 | 400,000 | 1,717,144.50 | 4,000,000 | 17,171,445.00 |
| 5,000 | 21,464.30 | 40,000 | 171,714.46 | 500,000 | 2,146,430.63 | 5,000,000 | 21,464,306.26 |
| 6,000 | 25,757.17 | 45,000 | 193,178.76 | 600,000 | 2,575,716.76 | 6,332,000 ⁽¹⁾ | 27,182,397.44 |

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.splend.com if there is any change in the following expected timetable of the Global Offering.

Hong Kong Public Offering commences from 9:00 a.m. on
Friday, June 30, 2023

Latest time for completing electronic applications under
White Form eIPO service through the designated website
www.eipo.com.hk⁽²⁾ 11:30 a.m. on
Wednesday, July 5, 2023

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on
Wednesday, July 5, 2023

Latest time for (a) completing payment for **White Form eIPO**
applications by effecting internet banking transfer(s) or PPS
payment transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on
Wednesday, July 5, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close⁽³⁾ 12:00 noon on
Wednesday, July 5, 2023

(1) Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.splend.com on or before⁽⁹⁾ Wednesday, July 12, 2023

EXPECTED TIMETABLE⁽¹⁾

(2) An announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.splend.com⁽⁵⁾ (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from⁽⁹⁾ Wednesday, July 12, 2023

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from⁽⁹⁾ 8:00 a.m. on Wednesday, July 12, 2023 to 12:00 midnight on Tuesday, July 18, 2023

Telephone enquiry for the results of allocations in the Hong Kong Public Offering by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, July 12, 2023 to Friday, July 14, 2023 and Monday, July 17, 2023

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁶⁾⁽⁸⁾⁽⁹⁾ Wednesday, July 12, 2023

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before⁽⁷⁾⁽⁸⁾⁽⁹⁾ Wednesday, July 12, 2023

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on⁽⁹⁾ Thursday, July 13, 2023

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 5, 2023, the application lists will not open or close on that day. See the section headed “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS – Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (6) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (8) Applicants who have applied on **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required may collect any refund cheques (where applicable) and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 12, 2023 or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection – (ii) If you apply via **Electronic Application Instructions** to HKSCC” in this prospectus for details.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, June 30, 2023 to Wednesday, July 12, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**White Form** e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering. The information contained in our website at www.splend.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

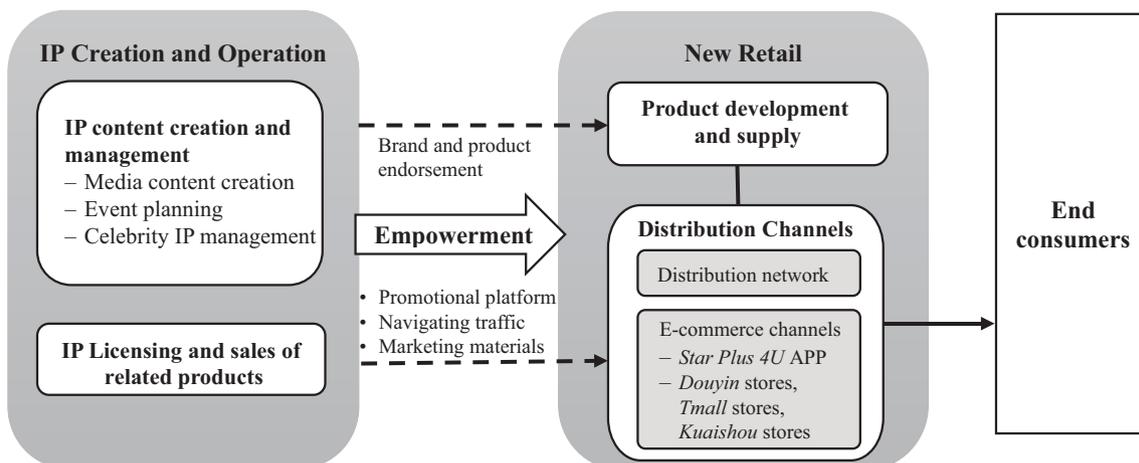
There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

OVERVIEW

Our business operations consist of two segments, namely new retail segment and IP creation and operation segment. Each segment can be a source of revenue of its own, while our IP creation and operation segment can also create a synergy effect by acting as one of our marketing tools to promote our new retail products.

The diagram below illustrates our business model:



We (i) develop and introduce suitable products to the market; (ii) establish sales channels, including extensive distributorship network and e-commerce channels; (iii) cooperate with celebrities for IP content creation; and (iv) utilize our celebrity IPs and associate IP contents for the marketing and promotion of our products, along with other sales and marketing strategies and activities.

Our new retail business

In respect of our new retail business, we focus on development and sale of low-carb health management products, as well as skincare products.

During the Track Record Period, a majority of our revenue for new retail business derived from sales of *MODONG* coffee, of which we started the nationwide distribution thereof in April 2019. *MODONG* coffee is a bulletproof coffee, which is a type of beverage containing high-fat specially designed for low-carbohydrate diet plan to meet the plan’s fat/energy ratio. In 2022, we were the largest company in China’s bulletproof drink market in terms of GMV, with a market share of 24.9%.

Leveraging our success with *MODONG* coffee, we launched a number of other low-carb drinks and food under the *MODONG* sub-brand that further exemplify our strategy to offer our end consumers a portfolio of complementary low-carb health management products. In 2022, we launched our matcha powder under a new product line, *Ai Chi Xian Mo Ren* (愛吃鮮摩人), featuring healthy and additive-free food products. In addition, we launched multiple product

SUMMARY

sub-brands in the skincare market, including *Dr.mg* and *Chaxiaojie*. The products under the *Dr.mg* sub-brand are designed to address various skin problems caused by skin aging which target aging population, whereas the products under *Chaxiaojie* sub-brand target younger generation. We will continue to develop and launch new products for our new retail business from time to time.

We primarily distribute our products through (i) a network of distributors and sub-distributors; and (ii) other e-commerce channels such as online stores operated on social media platforms. We conduct E-commerce Livestreaming through our *Douyin* account from time to time to promote the sale of our products. During the Track Record Period, we generated a substantial portion of revenue from sale of our products under the new retail segment through a network of distributors and sub-distributors. We consider our sales of products as a new retail business, as we primarily adopt a community-based social e-commerce model, where our distributors and the sub-distributors procured by them mainly promote and sell our products through a combination of online commerce elements (through social e-commerce channels, such as WeChat, *Douyin* and *XiaoHongShu*) and offline channels (through offline meetings among our distributors, sub-distributors and end consumers, such as annual events, conferences and/or face-to-face sales at distributors promotion meetings). Our distributors and the sub-distributors are also consumers of our products. Some of them have further developed into KOCs⁽¹⁾ and promote our products in their respective private domain traffic or PDT⁽²⁾ through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers, through which we can effectively extend the consumer reach of our products. Apart from our use of KOCs, we also collaborate with KOLs⁽³⁾ to promote our products through sharing and posts and/or sell our products through E-commerce Livestreaming sessions on online platforms.

Our IP creation and operation business

Our IP creation and operation business comprises:

- (i) IP content creation and management business, including provision of (a) media content creation; (b) event planning; and (c) celebrity IP management services; and
- (ii) IP licensing and sales of related products.

In media content creation, we mainly provide organizing, planning and other project management services to the production of programs. For example, we are the lead creator and own the IPs of *J-Style Trip* season one, which is a 12-episode reality show starring Mr. Jay Chou aired on Zhejiang Satellite TV as well as Netflix and MGTV (芒果TV) in March 2020. *J-Style Trip* season one was well-received by TV audience. The average viewership rating of all 12 episodes ranked first among all TV programs broadcasted during the same timeslot from March to June 2020, according to the publicly available rating data. We were also involved in the planning and creation of a popular music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) that was centered around Mr. Harlem Yu and a variety show, that was centered around Mr. Liu Keng-hung.

In event planning, we generally act as an event planning service provider, an investor and/or sub-contractor for large scale music concerts and other events. For example, we initiated and acted as a planning service provider to Zhanjiang Superstar Concert (湛江超級巨星演唱會) in August 2019, and initiated and acted as a planning service provider and an investor to Ningbo Superstar Performance Mega Night (寧波巨星行動超級夜) in January 2020. Through our experience and management's networking in the Chinese entertainment industry, we are able to gather different units to organize the creation of media content, as well as music concerts and other events.

In celebrity IP management, we collaborate with celebrities and/or KOLs where we are responsible for the development of their respective IPs. We are involved in the planning and development of the public persona of celebrities and/or KOLs in, among others, Livestreaming

⁽¹⁾ KOCs refer to key opinion consumers, which are persons who share their personal experience with our products through their own PDT.

⁽²⁾ PDT refers to private domain traffic (私域流量), which are traffic that can be controlled and utilized by the content publisher vis-à-vis public domain traffic.

⁽³⁾ KOLs refer to key opinion leaders, which are popular persons followed by the public audience.

SUMMARY

sessions, online short videos and other online and offline performances on social media platforms, in order to attract audiences and/or followers with similar interests or concerns.

For celebrity IP licensing and sales of related products, we create bespoke brands and associated IP contents based on our proprietary unique celebrity IPs, including a nijigen-style personality, namely *ChouMate*. Nijigen-style personality is two dimensional anime, manga or real-life person inspired fictional character. We may license our celebrity IPs to our customers and receive licensing fees and create and sell products related to the celebrity IPs.

Synergy between our new retail business and our IP creation and operation business

Empowerment of our new retail business by our unique celebrity IPs is achieved through creating promotional effect at multiple complementary venues and platforms rather than a simple brand name association, which we believe lends credibility and marketability to our products, enhances the brand recognition of our products, and maintains the trust and confidence of our distributors and customers. In 2020, we promoted *MODONG* coffee in *J-Style Trip* season one by means of advertisement, spot cut and discrete product placement. We also leverage on the popularity of Mr. Liu Keng-hung and Ms. Vivi Wang to empower the sale of our products. For example, we promoted healthy eating and lifestyle through Livestreaming sessions of Mr. Liu Keng-hung and Ms. Vivi Wang, and promoted our products, such as Matcha powder and *MODONG* light brewed coffee, during E-commerce Livestreaming sessions conducted via our *Douyin* account under the name of “劉畊宏肥油咔咔掉” since July 2022.

Nevertheless, it is our strategy that Mr. Liu Keng-hung would not participate in any E-commerce Livestreaming as we consider that it would create the best value for him to devote his time in developing his popularity through Livestreaming, brand endorsement and participation in other IP programs. As advised by our PRC Legal Advisors, based on the confirmation of our Company and according to the public information search, no search results showed that, as of the Latest Practicable Date, Mr. Liu Keng-hung and Ms. Vivi Wang are subject to any restrictions imposed by the competent governmental authorities under the relevant laws and regulations in the PRC to conduct either Livestreaming or E-commerce Livestreaming. As part of our celebrity IP management, we would advise on the activities that would create the best value for the celebrities we cooperate with, including whether or not to participate in E-commerce Livestreaming.

In addition to *ChouMate*, we started to use nijigen-style personalities of Mr. Liu Keng-hung and Ms. Vivi Wang, namely “*Coach Liu* (劉教練)” and “*Vivi*” in the promotion of our products.

The judicious use of celebrity IP and our Group’s sales channels, including its distribution network, enabled us to achieve overall financial growth during the Track Record Period.

We plan to continue to create more media contents and concerts, which may empower our new retail business through creating promotional effect to promote our products. With our capability and experience in using the strengths of these different business components in an effective and efficient manner to create synergy effect, we believe we would be able to sustain our business and achieve growth in our business going forward.

The use of Livestreaming and E-commerce Livestreaming in our business

In view of their growing popularity in recent years, we have made use of Livestreaming and E-commerce Livestreaming in our business operation. During the Track Record Period, we mainly provide celebrity IP management services in respect of the performances of Mr. Liu Keng-hung and Ms. Vivi Wang. We were involved in originating and preparing the contents and presentation of the Livestreaming sessions and generated revenue from brand owners who engaged us to promote their products during the Livestreaming sessions of Mr. Liu Keng-hung. We also generate revenue from sharing of commission for the sale of products of third party brand owners by different celebrities and KOLs during the E-commerce Livestreaming sessions conducted on our *Douyin* account. In addition, our products under the new retail business would be promoted and sold through E-commerce Livestreaming sessions on our *Douyin* account. Please refer to the section headed “Business – Our business – IP creation and operation – Media content creation – Celebrity IP management – The use of Livestreaming and E-commerce Livestreaming in our business”.

SUMMARY

OUR COOPERATION RELATIONSHIP WITH MR. JAY CHOU AND HIS SIGNIFICANCE TO OUR BUSINESS OPERATION

We heavily rely on Mr. Jay Chou on both our new retail business and IP creation and operation business. During the Track Record Period, our business grew as certain of our IPs related to Mr. Jay Chou generated revenue on their own, and these IPs also created promotional effect on our products under the new retail segment. Our products under the new retail segment with promotional activities involving Mr. Jay Chou or his related IPs accounted for 83.0%, 72.8%, 64.8% and 45.2% of our total revenue respectively, while our IP creation and operation that centered around Mr. Jay Chou or involved him as one of the performers accounted for 5.7%, 19.6%, 9.1% and 13.3% of our total revenue during the Track Record Period.

We have established long-term and mutually beneficial cooperation relationship with Mr. Jay Chou, JVR Music (Mr. Jay Chou's artiste management company and 40%-owned and founded by Mr. Jay Chou) and Archstone (Mr. Jay Chou's representative for business negotiations in respect of one off or project based engagement). Our Founders, Controlling Shareholders and/or non-executive Directors include Ms. Yeh (Mr. Jay Chou's mother) and directors and controlling shareholders of JVR Music or Archstone, namely, Mr. Yang and Mr. Chen, respectively, and these parties, which are closely connected to Mr. Jay Chou, have substantial influence over our overall development and business strategies.

We collaborated with Mr. Jay Chou through (i) being a planner and/or an investor to large-scale concerts featuring Mr. Jay Chou, including one concert in each of 2019 and 2020, where we procured Mr. Jay Chou to perform at such concerts through Archstone; (ii) being the lead creator of *J-Style Trip*, where we procured Mr. Jay Chou to appear and obtained the right to use Mr. Jay Chou's publicity rights through Archstone; (iii) jointly developed and owned the *ChouMate* trademarks with JVR Music; and (iv) entered into a 10-year IP Authorization Agreement with JVR Music pursuant to which we have secured an exclusive right in relation to projects related to *ChouMate* and a non-exclusive priority right to invest in projects related to Mr. Jay Chou and his IPs globally.

Mr. Jay Chou's relationship with each of JVR Music, Archstone, Mr. Yang, Ms. Yeh and Mr. Chen will not have any restriction on our business activities. For details regarding analysis of our relationship with Mr. Jay Chou, please refer to the section headed "Cooperation with celebrities – Cooperation relationship with Mr. Jay Chou" in this prospectus.

Sustainability of our operation

Although we heavily rely on Mr. Jay Chou on both our new retail business and IP creation and operation business, our Directors are of the view that the sustainability, profitability and success of our Group's business are attributable to our capability in our different business components, including, among others, identify and introduce products that are well received by our distributors and target consumers through establishing effective distribution network, and the empowerment of our new retail business by our IP creation and operation business as well as other various sales and marketing means. Apart from the importance of our different business components, our Directors are of the view that the management's experience and capability in using the strengths of our Group's different business components in an effective and efficient manner to create synergy effect should be considered the fundamental contributive factor to the success of our Group, and our business operation to be sustainable.

In 2021 and 2022, we recorded an increase in the proportion of revenue contribution from (i) the sales of products without involving Mr. Jay Chou or his related IPs in the promotion thereof; and (ii) IP creation and operation that was not centered around or significantly related to Mr. Jay Chou or his related IPs. For 2019, 2020, 2021, and 2022, such revenue amounted to RMB9.8 million, RMB34.5 million, RMB95.4 million and RMB142.7 million, respectively, representing 11.3%, 7.6%, 26.1% and 41.5% of our total revenue in the corresponding year.

For details, please refer to the section headed "Cooperation with celebrities – Cooperation relationship with Mr. Jay Chou – Mr. Jay Chou's significance to our business operation – Sustainability of our operation" in this prospectus.

SUMMARY

PRODUCT DISTRIBUTION

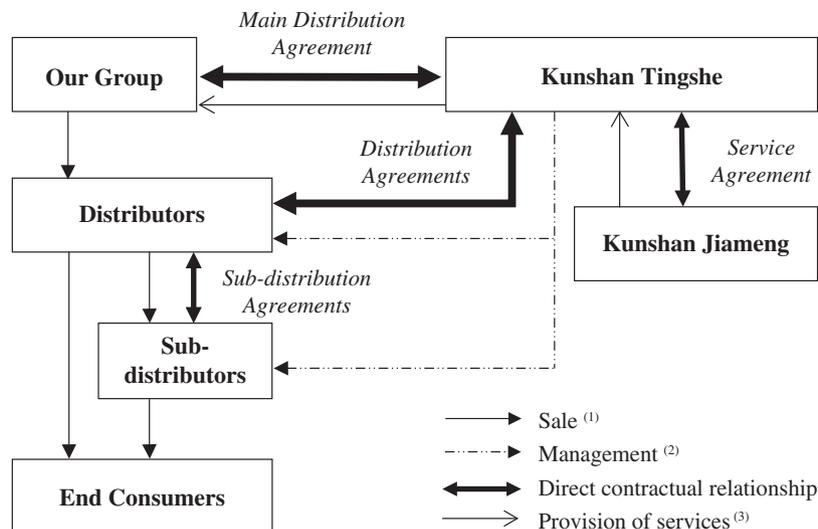
During the Track Record Period and up to the Latest Practicable Date, we sold and distributed our products under the new retail business through three channels, namely, (i) the Distribution Agent Assisted Distribution Model; (ii) the general distribution model; and (iii) other e-commerce channels.

Distribution Agent Assisted Distribution Model

During the Track Record Period, we generated a substantial portion of revenue from sale of our products through a network of distributors and sub-distributors under the Distribution Agent Assisted Distribution Model. We adopted a tiered and top-down distributor management model, under which we engaged a Distribution Agent to assist us with the development and management of our distributors, which in turn are responsible for monitoring their respective sub-distributors. Our distributors would directly place sale orders with us and the sub-distributors procured by the distributors would in turn place orders with them.

During the Track Record Period, we engaged Kunshan Tingshe (which is mainly operated by Li Ting) as one of our Distribution Agents that are specifically responsible for the sale and distribution of *MODONG* coffee and certain other products. Kunshan Tingshe provides services to us and receives service fee from us in return. In addition, Kunshan Tingshe further engaged a service provider, namely, Kunshan Jiameng for the provision of administrative and supportive services in respect of the management of the distributors and sub-distributors of our products.

The diagram below illustrates the arrangement between our Group, Kunshan Tingshe and Kunshan Jiameng under the Distribution Agent Assisted Distribution Model:



Notes:

- (1) Distributors place sale orders directly with us and onward sell the products to the sub-distributors procured by them and/or the end consumers.
- (2) Kunshan Tingshe, as our Distribution Agent, is responsible for the development and management of the distributors and sub-distributors, including but not limited to, providing trainings on sales and marketing techniques to, and monitoring the performance of, the distributors and sub-distributors.
- (3) Since June 2020, Kunshan Tingshe has engaged Kunshan Jiameng to provide assistance in the management of the distribution network. Services provided by Kunshan Jiameng mainly include, inter alia, (i) providing trainings and assistance to the distributors regarding the business registration under the applicable laws and regulations; (ii) calculating the discounts and incentives entitled by the distributors; (iii) conducting marketing and advertising activities for the development of the distribution network; and (iv) arrange settlement of certain discounts and incentives payable to our distributors.

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For further details of the arrangement between our Group, Kunshan Tingshe and Kunshan Jiameng, please refer to the section headed “Distribution arrangement with Kunshan Tingshe” in this prospectus.

Mutual reliance between our Group and Li Ting

Li Ting is the shareholder and key personnel of Kunshan Tingshe, and she has been heavily involved with us in (i) establishing, developing and managing the distribution network for our *MODONG* coffee and other Kunshan Tingshe Distributed Products, and (ii) conducting product promotion for expansion of the distribution network since the launch of *MODONG* coffee.

We first commenced business relationship with Li Ting when our products (including *LA DEW* facial masks) were first introduced to Li Ting and her team in January 2018.

Our Directors are of the view that there is mutual reliance between our Group and Li Ting for the distribution of our *MODONG* coffee and other Kunshan Tingshe Distributed Products. During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting and her team to manage our distributors and sub-distributors and develop our distribution network. Conversely, Li Ting relies on us to continue her main distribution business. More importantly, collaboration with us gives Li Ting the opportunity to leverage the empowerment of our unique celebrity IPs to procure distributors for us and their respective sub-distributors. Such empowerment enables Li Ting to quickly expand the distribution network, which in turn rewards Li Ting and her team in the form of discount, incentives and fees as well as the Service Fees to Li Ting. For further details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Mutual reliance between our Group and Li Ting” in this prospectus.

The general distribution model and other e-commerce channels

During the Track Record Period, we also sold our products through (i) the general distribution model, where we sold our products to our distributors for their onward sale to the end consumers without the engagement of a Distribution Agent; and (ii) other e-commerce channels, where we directly sold our products to end consumers through various online platforms, the *Star Plus 4U* App and *Douyin* stores (which would normally be linked to E-commerce Livestreaming sessions of our celebrities and/or KOLs that promote our products). For details, please refer to the section headed “Business – Distribution network” in this prospectus.

Temporary suspension of bank accounts due to alleged pyramid selling

We received two pre-litigation asset preservation orders from the local Administration for Market Regulation in two forth-tier cities in 2020 and 2021 due to unfounded allegation that we were engaged in pyramid selling. Under the pre-litigation asset preservation orders, part of our funds in certain bank accounts were temporarily frozen pending further investigations. After our prompt actions to defend our legal rights and interest, the above two matters were resolved in our favor and our funds were fully and unconditionally released subsequently. As advised by our PRC Legal Advisors, the actions undertaken by these local authorities in the abovementioned matters do not involve any imposition of administration penalties, and only serve the purpose of maintaining the status quo for further investigations. In response to each of the above incidents, we reported to Kunshan AMR, which carried out inspections on our operations and issued the Inspection Opinions in 2020 and 2021, concluding that we were engaged in new retail activities through a legitimate distribution model, thereby affirming the legitimacy of our social e-commerce distribution model. Based on the interviews with Kunshan AMR, both incidents were also reported to the SAMR in the manner followed by the PRC administrative authorities in accordance with their normal practice. To the best of our Directors’ knowledge, no objection or any opinion from the SAMR have been received by Kunshan AMR in relation to such reports. Based on the Inspection Opinions and as advised by our PRC Legal Advisors, our social e-commerce activities do not constitute pyramid selling under the PRC laws and regulations and comply with all the relevant PRC laws and regulations in all material aspects. For details, please refer to the section headed “Business – Distribution network – Distribution Agent Assisted Distribution Model – the temporary suspension of bank accounts due to alleged pyramid selling” in this prospectus.

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OUR CUSTOMERS

Our customers mainly consist of our distributors, content producers, IP licensing partners and online platform operators. Revenues generated from our top five customers accounted for approximately 23.5%, 21.2%, 16.3% and 23.6% of our total revenues in each year during the Track Record Period. For details, please refer to the section headed “Business – Customers” in this Prospectus.

OUR SUPPLIERS

Our suppliers primarily include (i) third-party manufacturers in China that specialize in the manufacturing of nutritional food or skincare products; and (ii) event or program planning and management companies in China. In each year during the Track Record Period, purchases from our five largest suppliers, accounted for approximately 75.1%, 73.3%, 58.3% and 47.9% of our total purchases, respectively.

We co-developed the formula of our Group’s several products, including *MODONG* coffee, with Hengmei Group and consider such formula to be a piece of sensitive and confidential information. As we believe it is important to ensure such confidential formula not being leaked and the quality of all our products being consistent, we consider engaging only one supplier for the production of such products to be an appropriate safeguard. Having considered that we have had a good relationship with Hengmei Group and we believe Hengmei Group is a sizable and reputable health products manufacturer, Hengmei Group has been the only supplier of our *MODONG* coffee since its nationwide launch in April 2019 and it was our largest supplier in 2020, 2021 and 2022. Purchases from Hengmei accounted for approximately 48.1%, 31.2% and 23.2% of our total purchases for the same periods, respectively. For more details, please refer to the sections headed “Business – Suppliers” and “Risk factors – Risks relating to our business and industry – Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success:

- A new retail operator empowered by proprietary unique celebrity IPs that achieved rapid and significant growth;
- Quickly established leading marketing position in China’s bulletproof drink market resulted from extensive research and development knowledge of the bulletproof drink market and consumer preference in low-carb diet;
- Rapid and organic growth of the distribution network with a focus on KOC development and PDT marketing;
- Multi-facet IP creation and operation business that provides critical empowerment for our new retail business through creating promotional effect to promote our products and diversifies our revenue source; and
- Visionary management with decades of relevant industrial experience and continued support from Mr. Jay Chou.

OUR BUSINESS STRATEGIES

Going forward, our goal is to solidify and replicate the success of our unique IP-empowerment business model with additional core products and IP contents. We will continue to offer our consumers complementary food and drink products for their low-carb lifestyle as well as skincare products with high quality key ingredients. To promote existing and new products, we will further leverage our unique celebrity IPs on multi-channel network, also known as MCN. In particular, we intend to pursue the following strategies:

- Further diversify our product portfolio through product development;

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- Increase our brand exposure and product sales through online platforms;
- Continue to create high-quality and unique new IP contents to, among others, empower our new retail business;
- Increase our sales and marketing efforts;
- Upgrade our IT infrastructure and increase investment in IT research and development; and
- Grow our operational scale and work force in response to our strategic plans.

For details, please refer to the sections headed “Business – Our strategies and future plans” and “Future plans and use of proceeds” in this prospectus.

RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in the section headed “Risk factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks that we face are relating to:

- We experienced fluctuation of our financial results during the Track Record Period primarily attributable to the fluctuation in the sale of our *MODONG* coffee. We cannot assure you that we will be able to maintain the growth rate that we have experienced in the early stage of our development.
- We are subject to the key man risk of Mr. Jay Chou (whom has been and will continue to have impact on us), and his persona had a significant impact on the events and programs created by us, and created a promotion effect on the sales of our products during the Track Record Period and such effect is expected to remain in the foreseeable future. If we are not able to cooperate with Mr. Jay Chou, JVR Music or any of his other affiliates, our business, financial position and results of operation may be adversely affected.
- Our expansion plan and business operations in Mainland China may be affected as a result of our Taiwan Shareholders’ interests in us as they may be required to obtain approvals from the Taiwan Investment Commission for investments in Mainland China, as well as the tensions between two sides of the strait.
- Our IP Authorization Agreement with JVR Music is subject to restrictions, in particular, our priority rights thereunder are non-exclusive (other than *ChouMate* Projects). If JVR Music decides not to co-operate with us on projects related to Mr. Jay Chou, our business, financial position and results of operation may be adversely affected.
- We rely on our cooperation with celebrities such as Mr. Jay Chou, Mr. Liu Keng-hung, Ms. Vivi Wang and Mr. Harlem Yu etc. in our businesses, and any negative impact on such celebrities’ reception by or exposure to our consumers may have material adverse effects on our business, financial position and results of operations. Please refer to the section headed “Business – Recent developments on our regulatory environment in relation to celebrities and Livestreaming in the PRC – Impact on other celebrities and KOLs whom we have been or will be cooperating with – Incident relating to products promoted by Mr. Liu Keng-hung and Ms. Vivi Wang prior to our cooperation with them”.
- We rely on our collaboration with KOCs and KOLs in the promotion of our products. Our reputation may be affected by inaccurate or inappropriate comments or content made or any negatively publicity of such KOCs and KOLs.

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- During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting, as the key personnel of Kunshan Tingshe, for distribution of our Kunshan Tingshe Distributed Products and may continue such arrangement in the future.
- The relevant rules and regulations on social e-commerce in China are still under development and subject to interpretation, and their implementation involves uncertainty.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the Options under the Share Option Schemes), our Founders, i.e. Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen, through respective holding companies, i.e. Harmony Culture, Legend Key and Max One, will be able to exercise the voting rights attaching to approximately 58.1% of our issued share capital. Further, our Founders had been working together throughout the Track Record Period. Our Founders confirmed in the Concert Party Agreement that they have been collectively making key decisions regarding our business together throughout the Track Record Period. Therefore, our Founders, together with Harmony Culture, Legend Key and Max One shall be regarded as our Controlling Shareholders. For details, please refer to the section headed “Relationship with our Controlling Shareholders – Our Controlling Shareholders” of this prospectus.

Our Taiwan Shareholders’ compliance with the Approval of Investment Regulation

Pursuant to the Approval of Investment Regulations, investments in Mainland China by our Taiwan Shareholders is subject to the approval of the Taiwan Investment Commission. Our Taiwan Shareholders are also restricted by the Annual Investment Quota of US\$5 million per year for investments in Mainland China. As advised by our Taiwan Legal Advisors, the Taiwan Investment Commission would likely take the position that any equity capital increase by our Company into our subsidiary(ies) in Mainland China will be considered as additional investment by our Taiwan Shareholders, and each of our Taiwan Shareholders will be required to obtain an approval from the Taiwan Investment Commission for their equity capital increase. Based on our Taiwan Legal Advisor’s interpretation of the case study provided in the Foreign and Mainland China Investment Regulations and Case Sharing (對外及對大陸投資法規與案例分享) published by the Taiwan Investment Commission, equity capital increase by us into our Mainland China subsidiary(ies) using proceeds from the Global Offering will not be counted towards the Original Quota or Annual Investment Quota of each Taiwan Shareholder. Nonetheless, even if we are unable to conduct equity capital increase into our Mainland China subsidiaries, we can make use of funds such as intra-group loans or transactions (such as issuance of bonds) conducted by our group companies at the subsidiary level which are not counted towards the Annual Investment Quota of our Taiwan Shareholders. Our Taiwan Shareholders had filed their respective indirect investment in our operating subsidiary in Mainland China with, and obtained the approval thereof from the Taiwan Investment Commission, and as advised by our Taiwan Legal Advisors, our Taiwan Shareholders had fulfilled all relevant legal requirements in respect of their investment in our Group as required under Taiwan laws. For details, please refer to the sections headed “Risk Factors – Our expansion plan and business operations in Mainland China may be affected as a result of our Taiwan Shareholders’ interests in us as they are required to comply with the Approval of Investment Regulations and obtain approvals from the Taiwan Investment Commission for investments in Mainland China, as well as the tensions between two sides of the strait” and “Regulatory Overview – Approval of Investment Regulations” of this prospectus.

PRE-IPO INVESTMENTS

We had six Pre-IPO Investors, namely Mr. Lai (our executive Director and chief financial officer), Mr. Ho, Dr. Qian (our executive Director and chief executive officer), Ms. Zhang (the spouse of Dr. Qian), Long Precise (an associate of Mr. Ho and Ms. Zhang) and Bradbury. Mr. Lai, Mr. Ho, Dr. Qian and Ms. Zhang completed their Pre-IPO Investments by the acquisition of our Shares or existing equity interest in Star Plus (Kunshan), whereas Long Precise and Bradbury completed their Pre-IPO Investments by subscription of new Shares. As of the Latest Practicable Date, Mr. Lai, Lake Ranch (a company wholly-owned by Mr. Ho), Kai Le (a

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company wholly owned by Mr. Ho), Dr. Qian, Ms. Zhang and Bradbury were interested in 13.8%, 11.5%, 1.5%, 1.4%, 1.8% and 5.5% of our issued share capital, respectively. Immediately following the completion of the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of Options under the Share Option Schemes), Mr. Lai, Lake Ranch, Kai Le, Dr. Qian, Ms. Zhang and Bradbury will be interested in 12.5%, 4.4%, 1.3%, 1.2%, 1.7% and 5.0% of our issued share capital, respectively. For details, please refer to the section headed “History, development and Reorganization – Pre-IPO Investments” of this prospectus. Each of Mr. Lai, Dr. Qian, Ms. Zhang, Lake Ranch and Kai Le has voluntarily agreed that he/she/it will not during the period of twelve months commencing on the date of the Listing, dispose any of our Shares, whereas Bradbury agreed that it will not during the period of six months commencing on the date of the Listing, dispose any of our Shares.

PRE-IPO STOCK INCENTIVE PLAN

On August 3, 2020, our Company adopted the Pre-IPO Stock Incentive Plan pursuant to which 25,000,000 Shares (to be adjusted to 33,217,009 Shares upon the Capitalization Issue) are issuable, representing 4.2% of the issued share capital of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes). As of the Latest Practicable Date, the Company issued an aggregate of 25,000,000 Pre-IPO Share Options in consideration for the contribution of the Pre-IPO Share Option Scheme Grantees to the initial establishment of our Group. No further options will be granted under the Pre-IPO Stock Incentive Plan after our Listing. For details, please refer to the section headed “Statutory and General Information – D. Share Option Schemes – 1. Pre-IPO Stock Incentive Plan” in Appendix V to this Prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our historical financial information, including the accompanying notes, set forth in the Accountant’s Report attached as Appendix I to this prospectus, as well as the information set forth in the section headed “Financial information” in this prospectus.

Summary of consolidated statement of comprehensive income

| | Year ended December 31, | | | |
|---------------------------------|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Revenue | 86,585 | 456,944 | 365,345 | 344,157 |
| Cost of revenue | (29,972) | (224,155) | (137,963) | (121,329) |
| Gross profit | 56,613 | 232,789 | 227,382 | 222,828 |
| Operating profit | 32,000 | 113,806 | 73,594 | 92,035 |
| Profit before income tax | 31,840 | 113,841 | 64,652 | 93,138 |
| Income tax expense | (9,121) | (38,210) | (21,761) | (28,240) |
| Profit for the year | 22,719 | 75,631 | 42,891 | 64,898 |
| Profit attributable to: | | | | |
| – Owners of the Company | 23,559 | 78,064 | 43,649 | 60,389 |
| – Non-controlling interests | (840) | (2,433) | (758) | 4,509 |
| | 22,719 | 75,631 | 42,891 | 64,898 |

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Non-HKFRS measures

In order to supplement our consolidated statement of comprehensive income, which is presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by or presented in accordance with HKFRS to evaluate our operating performance. We believe that these non-HKFRS measures help identify underlying trends in our business and provide useful information to investors and others in understanding and evaluating our results of operation. However, the use of adjusted net profit (non-HKFRS measure) has material limitations as an analytical tool. When assessing our operating and financial performance, you should not consider adjusted net profit (non-HKFRS measure) in isolation from or as a substitute for any financial performance measure that is calculated in accordance with HKFRS. Our presentation of adjusted net profit (non-HKFRS measure) may not be comparable to similarly named measures presented by other companies.

We define adjusted net profit (non-HKFRS measure) as net profit for the period adjusted by adding back (i) listing expenses; (ii) share-based compensation expenses; and (iii) interest expense on financial instrument with redemption rights.

The following table sets forth our adjusted net profit (non-HKFRS measure) in each respective year during the Track Record Period:

| | Years ended December 31, | | | |
|--|---------------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Profit for the year | 22,719 | 75,631 | 42,891 | 64,898 |
| Add: | | | | |
| <i>Listing expenses⁽¹⁾</i> | – | 2,893 | 15,535 | 10,059 |
| <i>Share-based compensation expenses⁽²⁾</i> | – | 1,840 | 3,568 | 2,216 |
| <i>Interest expense on financial instrument with redemption rights⁽³⁾</i> | – | – | 7,939 | – |
| Adjusted net profit for the year (non-HKFRS measures) | <u>22,719</u> | <u>80,364</u> | <u>69,933</u> | <u>77,173</u> |

Notes:

- (1) Our Listing expenses are arising from activities relating to the Listing.
- (2) The share-based compensation expenses are non-cash in nature and were arising from the grant of share options to Ms. Ma and certain employees of our Group.
- (3) Our interest expense on financial instrument with redemption rights was arising from and relating to our Pre-IPO Investments, which is non-cash in nature.

We recorded an overall increasing trend in our adjusted net profit (non-HKFRS measure) during the four years ended December 31, 2022 while achieving exceptionally high adjusted net profit in 2020. We recorded adjusted net profit (non-HKFRS measure) of RMB69.9 million and RMB77.2 million in 2021 and 2022, respectively, that was higher than that in 2019, but lower than the same in 2020, primarily due to the fact that our sales of *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020.

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Revenue

The table below sets forth a breakdown of our revenue by segment for the years indicated:

| | Year ended December 31, | | | | | | | |
|--|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| New retail | | | | | | | | |
| Health management products | 71,927 | 83.0 | 340,787 | 74.5 | 275,261 | 75.4 | 216,036 | 62.8 |
| Skincare products | 3,450 | 4.0 | 20,422 | 4.5 | 21,274 | 5.8 | 16,272 | 4.7 |
| Others | 5,420 | 6.3 | 3,966 | 0.9 | 4,860 | 1.3 | 7,791 | 2.3 |
| Subtotal | 80,797 | 93.3 | 365,175 | 79.9 | 301,395 | 82.5 | 240,099 | 69.8 |
| IP creation and operation | | | | | | | | |
| IP content creation and management | 4,761 | 5.5 | 86,567 | 19.0 | 54,399 | 14.9 | 95,026 | 27.6 |
| IP licensing and sales of related products | 1,027 | 1.2 | 5,202 | 1.1 | 9,551 | 2.6 | 9,032 | 2.6 |
| Subtotal | 5,788 | 6.7 | 91,769 | 20.1 | 63,950 | 17.5 | 104,058 | 30.2 |
| Total | 86,585 | 100.0 | 456,944 | 100.0 | 365,345 | 100.0 | 344,157 | 100.0 |

During the Track Record Period, we generated revenue from (i) product sales in our new retail business; and (ii) IP creation and operation business. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue was RMB86.6 million, RMB456.9 million, RMB365.3 million and RMB344.2 million, respectively. During the Track Record Period, a substantial portion of our revenue was generated from our new retail business, which contributed revenue of RMB80.8 million, RMB365.2 million, RMB301.4 million and RMB240.1 million, respectively, representing 93.3%, 79.9%, 82.5% and 69.8% of our total revenue during the corresponding periods. On the other hand, our IP creation and operation business generated revenue of RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing 6.7%, 20.1%, 17.5% and 30.2% of our total revenue for the corresponding periods.

For details, please refer to the section headed “Financial information – Description of major components of our results of operations – Revenue” in this prospectus.

SUMMARY

Gross profit and gross profit margin

The table below sets forth a breakdown of our gross profit and gross profit margin by business segment for the years indicated:

| | Year ended December 31, | | | | | | | |
|---------------------------|-------------------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| New retail | 55,136 | 68.2 | 254,488 | 69.7 | 205,470 | 68.2 | 150,746 | 62.8 |
| IP creation and operation | 1,477 | 25.5 | (21,699) | (23.6) | 21,912 | 34.3 | 72,082 | 69.3 |
| Total | 56,613 | 65.4 | 232,789 | 50.9 | 227,382 | 62.2 | 222,828 | 64.7 |

For details of the fluctuations in our gross profit and gross profit margin during the Track Record Period, please refer to the section headed “Financial information – Description of major components of our results of operations – Gross profit and gross profit margin” in this prospectus.

Net profit

We experienced significant growth in operational scale as well as certain fluctuation in our profitability during the Track Record Period. Our net profit increased significantly from RMB22.7 million for 2019 to RMB75.6 million for 2020, mainly due to the significant increase in our revenue generated from the sale of *MODONG* coffee which was empowered by the airing of *J-Style Trip* season one in the first half of 2020. Our net profit decreased from RMB75.6 million for 2020 to RMB42.9 million for 2021 primarily attributable to the decrease in our revenue from the sale of *MODONG* coffee due to (i) the cessation of material promotional effect of *J-Style Trip* season one; and (ii) the fact that we were unable to launch any events and programs that had a scale comparable to *J-Style Trip* season one as a result of the adverse impact caused by the outbreak of COVID-19 pandemic. Our net profit increased from RMB42.9 million for 2021 to RMB64.9 million for 2022 mainly due to (i) the increase in our revenue from IP creation and operation business which was attributable to our celebrity IP management business which commenced since late 2021; (ii) the increase in our other income from government grant; and (iii) decrease in our selling and marketing expenses as a result of the restrictions imposed by local government for the prevention of the pandemic.

SUMMARY

Summary of consolidated statement of financial position

The following table sets forth certain key items of our consolidated statement of financial position as of the dates indicated.

| | As at December 31, | | | |
|--|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Non-current assets | 9,334 | 67,010 | 116,940 | 138,666 |
| Current assets | 178,273 | 259,115 | 356,172 | 416,199 |
| Total assets | 187,607 | 326,125 | 473,112 | 554,865 |
| Non-current liabilities | 2,170 | 3,609 | 16,080 | 10,258 |
| Current liabilities | 159,770 | 187,496 | 291,838 | 310,496 |
| Total liabilities | 161,940 | 191,105 | 307,918 | 320,754 |
| Net current assets | 18,503 | 71,619 | 64,334 | 105,703 |
| Net assets | 25,667 | 135,020 | 165,194 | 234,111 |
| Equity attributable to owners of the Company | 26,529 | 138,309 | 169,221 | 233,542 |
| Non-controlling interests | (862) | (3,289) | (4,027) | 569 |
| Total Equity | 25,667 | 135,020 | 165,194 | 234,111 |

Net current assets

Our Group's net current assets increased from RMB18.5 million as of December 31, 2019 to RMB71.6 million as of December 31, 2020, primarily due to (i) the increase in cash and cash equivalent following the significant cash collected from the sales of *MODONG* coffee; (ii) a significant increase in trade and other receivable, which was in line with the increase in sales revenue in *MODONG* coffee in 2020; and (iii) increase in our inventory of raw materials for skincare products under *Chaxiaojie* and *Dr.mg* sub-brands in preparation of launch; partially offset by (1) the decrease of TV programs rights following completion of the airing of *J-Style Trip* season one; and (2) the significant increase in contract liabilities.

The net current assets decreased to RMB64.3 million as of December 31, 2021, primarily attributable to the recognition of financial instrument with redemption rights, partially offset by the increase in our cash and cash equivalent as a result of the injection of capital from our pre-IPO investment.

Our net current assets increased to RMB105.7 million as of December 31, 2022, mainly attributable to (i) the increase in TV programs rights; and (ii) the increase in trade and other receivables, partially offset by the increase in the book value of the financial instrument with redemption right as a result of the devaluation of RMB.

Net assets

Our net assets increased from RMB25.7 million as of December 31, 2019 to RMB135.0 million as of December 31, 2020, which was primarily attributable to (i) the profit for 2020 of RMB75.6 million; and (ii) issuance of ordinary shares to Long Precise of RMB33.0 million.

The Group's net assets further increased to RMB165.2 million as of December 31, 2021, which was mainly due to (i) the profit for 2021 of RMB42.9 million; (ii) issuance of ordinary shares to Bradbury of RMB159.8 million; (iii) the equity-settled share-based payment

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transactions of RMB3.6 million, partially offset by (1) the recognition of redemption liability of RMB158.2 million; and (2) the dividend declared by our Company of RMB16.9 million.

Our net assets further increased to RMB234.1 million as of December 31, 2022, which was primarily due to (i) the profit for the year of RMB64.9 million; (ii) currency translation difference of RMB1.8 million; and (iii) the equity-settled share-based payment transactions of RMB2.2 million.

Summary of consolidated statement of cash flows

| | Year ended December 31, | | | |
|---|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Net cash inflow/(outflow) from operating activities | 1,636 | 328,453 | (9,285) | 5,495 |
| Net cash outflow from investing activities | (17,824) | (197,722) | (42,943) | (24,863) |
| Net cash inflow/(outflow) from financing activities | 28,442 | (39,030) | 143,615 | (11,387) |
| Cash and cash equivalents at end of the year | <u>29,298</u> | <u>120,962</u> | <u>211,873</u> | <u>182,633</u> |

We had net cash outflows from operating activities of RMB9.3 million for the year ended December 31, 2021 mainly due to (i) the settlement of amounts due to related parties of RMB11.3 million; (ii) the increase in prepayments to suppliers and services providers by RMB18.4 million; (iii) cash used in the production of *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two; and (iv) the income tax paid during 2021. For the year ended December 31, 2022, our operating cash position has improved and we recorded a net cash inflow of RMB5.5 million from operating activities.

Key financial ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated.

| | Year ended/as of December 31, | | | |
|---------------------|-------------------------------|------------|------------|------------|
| | 2019 | 2020 | 2021 | 2022 |
| Gross profit margin | 65.4% | 50.9% | 62.2% | 64.7% |
| Net profit margin | 26.2% | 16.6% | 11.7% | 18.9% |
| Current ratio | 1.1 times | 1.4 times | 1.2 times | 1.3 times |
| Quick ratio | 1.0 times | 1.3 times | 1.1 times | 1.2 times |
| Return on assets | 12.1% | 23.2% | 9.1% | 11.7% |
| Return on equity | 88.5% | 56.0% | 26.0% | 27.7% |
| Gearing ratio | 0.10 times | 0.02 times | 1.14 times | 0.84 times |

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

There had been an outbreak of the COVID-19 pandemic, which had quickly spread around the globe since late 2019. During the year ended December 31, 2020, we recorded a gross loss in our IP creation and operation business primarily because of the cancellation of a number of sponsorships for *J-Style Trip* season one due to the uncertainty of the effect of the COVID-19 pandemic. The pandemic and the related control measures imposed by the local government also affected the schedule of events and/or production of IP programs, which in turn affected our revenue from the IP creation and operation business. Since late 2021, there had been another wave of outbreak of the COVID-19 pandemic, which had subsequently developed into a large-scale outbreak in the PRC during the first half of 2022 (i.e. the Resurgence). In response to the Resurgence, local governments in PRC have imposed various restrictions on business and

SUMMARY

social activities, including stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations. The control measures have posed great challenge to the PRC economy during the first half of 2022. The Resurgence also presented challenges to our business and financial performances during the first half of 2022, as a substantial part of our operations are located in the Yangtze River Delta area which was severely affected by the Resurgence.

Despite the aforesaid, our Directors are of the view that the impact of the outbreak of COVID-19 is temporary in nature and the pandemic is not expected to have a material adverse impact on our Group in the long run. For details, please refer to the section headed “Business – Impact of the outbreak of COVID-19 on our business” in this prospectus. We will continue to monitor the development of the pandemic and actively take measures to mitigate potential negative impacts on our business. Nevertheless, the COVID-19 pandemic remains an evolving situation, and there remain significant uncertainties as to the future development of the pandemic, which is beyond our control. If there are further waves of large-scale outbreaks of the pandemic in the PRC, there may be further suspension of the services provided by our delivery service providers. The pandemic may also continue to affect the overall economy and demand for our products. In such circumstances, our operations and financial performance maybe adversely affected. Please also see to the section headed “Risk factors – Our financial condition and results of operations may be materially and adversely affected by the outbreak of COVID-19 pandemic” in this prospectus.

RECENT DEVELOPMENTS

Recent developments on our regulatory environment

Tightening of regulations on the PRC entertainment industry and online Livestreaming activities

The PRC government authorities have taken initiatives to heighten regulation on the PRC entertainment industry and online Livestreaming activities in 2021 (e.g. the promulgation of Strengthening Regulations). After due analyzes, our Directors have grounds to believe that the recent tightening of regulations on the PRC entertainment industry and Livestreaming activities is unlikely to have a material adverse impact on our business operations and financial performance in the foreseeable future. For details, please refer to the section headed “Business – Recent developments on our regulatory environment in relation to celebrities and Livestreaming in the PRC” in this prospectus.

Further, even if the popularity of Mr. Jay Chou declines as a result of various factors, including but not limited to the tightening of the regulatory environment of the PRC entertainment industry, which leads to a decline in the empowerment effect achieved by Mr. Jay Chou’s IPs on our new retail business, we believe such decline will not have a material adverse impact on the sustainability of our operations, business and financial performance, as evidenced by our performance in 2020 to 2022 when we used less Mr. Jay Chou-related IPs since the second half of 2020 and throughout 2021 and 2022.

Cybersecurity

During the Track Record Period, we collected information of our distributors, sub-distributors and end consumers through the Ordering System and QR Code System only for the purposes of facilitating the ordering and delivery of our products and keeping records of the sale of our products for our business operations. As of the Latest Practicable Date, we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures (details of which are set out under the section headed “Regulatory overview – Regulations relating to cybersecurity review” in this prospectus), did not process personal information of over one million users and had not been inquired, investigated, warned or penalized by any PRC authorities in this respect. Based on the foregoing, our PRC Legal Advisors are of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the proposed initial public offering giving rise to national security risks which subject us to cybersecurity review under the Cybersecurity Review Measures and the Draft

SUMMARY

Regulations on Cyber Data Security (details of which are set out under the section headed “Regulatory overview – Regulations relating to cybersecurity review” in this prospectus) is relatively low. As such, our Directors are of the view that the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security, if implemented in the current form, would not have a material adverse impact on our business operations or the proposed initial public offering. For further details, please refer to the section headed “Business – Data privacy and cybersecurity” in this prospectus.

Overseas listing measures

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. The Trial Measures stipulate that, among other things, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. For details, please refer to the section headed “Regulatory overview – Regulations on overseas listings” in this prospectus.

On February 17, 2023, the CSRC also issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知) (the “**Notice**”), which, among others, clarified that (i) a six-month transition period (i.e. from March 31, 2023 to September 30, 2023) will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (which, according to the Notice, include the passing of the hearing for applicants who apply for listing on the Stock Exchange), but have not completed the indirect overseas listing; and (ii) if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the Overseas Listing Measures.

As we have passed the hearing for the Listing before March 31, 2023, as advised by our PRC Legal Advisors, we do not need to perform the filing procedures for the Listing under the Trial Measures, provided that we complete the Listing before September 30, 2023 without going through any rehearing procedures.

Recent developments on our business operations

Subsequent to December 31, 2022 and up to the Latest Practicable Date, we had the following major developments on our business operations:

Mr. Jay Chou-related IP creation and operation business

- ***J-Style Trip season two***: as at the Latest Practicable Date, such program was under production, with 11 out of 12 episodes being filmed. It is expected that such program will be aired in the second half of 2023. For further details, please refer to the section headed “Business – Our business – IP creation and operation – Historical IPs and IPs pipeline” in this prospectus.
- ***Other Mr. Jay Chou-related IPs***: we entered into a collaboration framework agreement with one of our top five customers during the Track Record Period, namely Customer H Group, pursuant to which Customer H Group shall pay an agreed fee to us for exclusively using Mr. Jay Chou-related IP(s) for its marketing activities including, but not limited to, offline or online activities, in the PRC for a term of two years. We shall enter into separate agreement(s) with Customer H Group for each individual collaboration project to specify details thereof. We believe such collaboration would not only enable us to generate revenue but also enable us to enhance our brand awareness and publicity.

Non-Mr. Jay Chou-related IP creation and operation business

- ***A weekly music talk show***: as at the Latest Practicable Date, such program was under production with 10 out of 12 episodes being filmed, where Mr. Harlem Yu would continue to be the lead host of such program and different guest being invited to

SUMMARY

appear on each episode thereof. The program is expected to be aired in the second half of 2023. For further details, please refer to the section headed “Business – Our business – IP creation and operation – Historical IPs and IPs pipeline” in this prospectus.

- **Collaboration with other celebrities:** we intend to collaborate with different celebrities with respect to our IP creation and operation segment in order to further diversify our portfolio of celebrities and IP portfolio. We entered into a memorandum of understanding and a cooperation agreement with the respective artiste management company of Eric Suen Yiu Wai and Monica Chan Fat Yung in January 2023 and May 2023, respectively.

As at the Latest Practicable Date, the relevant filing in respect of each of the above IP programs had not been submitted by the TV channel(s) and/or online broadcasting platform(s). However, our Directors are of the view that, and the Sole Sponsor concurs, that there is no material impediment to the required filings. Based on our previous experience, the filing with the relevant governmental department would normally take less than one month. For details, please refer to the section headed “Business – Our business – IP creation and operation – Major events and IP programs in the pipeline” in this prospectus.

Special dividend

On June 13, 2023, we declared a special dividend of HK\$60.0 million to our then Shareholders which is expected to be paid before the Listing. Please refer to the paragraph headed “Dividends” in this section for further information.

As of December 31, 2022, we had cash and cash equivalents of approximately RMB182.6 million. Taking into account the financial resources available to us including existing borrowings, cash and cash equivalents, cash generated from operations and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 126,640,000 Offer Shares are issued under the Global Offering; (ii) the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which have been granted under the Share Option Schemes; and (iii) 800,000,000 Shares are issued upon completion of the Global Offering.

| | Based on an Offer Price of HK\$4.25 per Offer Share |
|---|--|
| Market capitalization of Offer Shares | HK\$538 million |
| Market capitalization of our Shares upon completion of the Global Offering ⁽¹⁾ | HK\$3,400 million |
| Unaudited pro forma adjusted net tangible assets per Offer Share ⁽²⁾ | HK\$0.93 |

Notes:

- (1) The calculation of market capitalization is based on 800,000,000 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering.
- (2) The unaudited pro forma consolidated net tangible assets per Share is calculated based on 800,000,000 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering. Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for the bases and assumption.
- (3) On June 13, 2023, we declared a special dividend of HK\$60.0 million to our then Shareholders. Had the special dividend of HK\$60.0 million been declared on December 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company as at

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December 31, 2022 would be approximately RMB599,865,000, while the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company per Share as at December 31, 2022 would be RMB0.75 (equivalent to HK\$0.85).

LISTING EXPENSES

Our Listing expenses mainly include underwriting commissions, professional fees and other fees incurred in connection with the Listing and the Global Offering. Based on the Offer Price of HK\$4.25 per Offer Share, the total Listing expenses (including underwriting commissions) are estimated to be approximately RMB87.4 million, and represent approximately 18.4% of the gross proceeds from the Global Offering. Among the total listing expenses, approximately RMB78.4 million is expected to be borne by us and approximately RMB9.0 million is expected to be borne by the Selling Shareholder. Listing expenses to be borne by us include (i) underwriting commission of approximately RMB14.7 million, and (ii) non-underwriting related expenses of approximately RMB63.7 million, which consist of (a) fees and expenses of the sole sponsor, legal advisors and Reporting Accountant of approximately RMB40.9 million; and (b) other fees and expenses of approximately RMB22.8 million. Up to December 31, 2022, we incurred Listing expenses of approximately RMB36.8 million, among which approximately RMB28.5 million was charged to the consolidated statement of comprehensive income, and RMB8.3 million was recorded as prepayment in the consolidated statements of financial position as of December 31, 2022 to be charged against equity upon successful Listing. We expect to incur additional Listing related expenses of approximately RMB41.6 million (including underwriting commissions of RMB14.7 million, assuming the Over-allotment Option is not exercised), of which RMB30.4 million is expected to be charged to our consolidated statement of comprehensive income and RMB11.2 million is expected to be charged against equity upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations.

DIVIDENDS

Our Company declared a dividend of HK\$20,000,000 for the year ended December 31, 2020, which was fully paid. On June 13, 2023, we further declared a special dividend of HK\$60.0 million to our then Shareholders which is expected to be paid before the Listing. Public Shareholders after our Listing will not be entitled to such dividends. Our Directors are of the view that the declaration of the special dividend was fair and reasonable and in the best interest of our Company and the Shareholders as a whole. Other than the above, no dividend has been proposed, paid or declared by our Company since its incorporation or during the Track Record Period and up to the Latest Practicable Date.

We do not currently have a formal dividend policy or a fixed dividend payout ratio. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

The Board, with the approval of the Shareholders in general meeting, may direct any dividend be satisfied wholly or in part by the distribution of specific assets of any kind. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends shall be declared or payable except out of our profits and reserves of our Company lawfully available for distribution including share premium. No dividend shall carry interest against our Company.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$245.2 million, assuming the Offer Price of HK\$4.25 per Offer Share, 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.

SUMMARY

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 HK\$58.4 million (equivalent to approximately RMB51.4 million), representing 23.8% of the net proceeds from the Global Offering, will be used for the diversification of product portfolio;
- Approximately HK\$75.1 million (equivalent to approximately RMB66.1 million), representing 30.6% of the net proceeds from the Global Offering, will be used to increase our brand exposure and product sales through MCN, including cooperation with selected top KOLs and development of proprietary Livestreaming accounts;
- Approximately HK\$68.1 million (equivalent to approximately RMB60.0 million), representing 27.8% of the net proceeds from the Global Offering, will be used for the creation of unique celebrity IPs and associated IP contents, including media contents and large-scale concerts;
- Approximately HK\$30.2 million (equivalent to approximately RMB26.6 million), representing 12.3% of the net proceeds from the Global Offering, will be used for upgrading our IT infrastructure and increase investment in IT development; and
- Approximately HK\$13.4 million (equivalent to approximately RMB11.8 million), representing 5.5% of the net proceeds from the Global Offering, will be used for working capital.

For details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2022, and there is no event since December 31, 2022 which would materially affect the information shown in the Accountant’s Report in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary” in this prospectus.

| | |
|---|---|
| “AFRC” | Accounting and Financial Reporting Council |
| “Annual Investment Quota” | the amount that individuals with Taiwan passport are restricted to invest each year in the Mainland China by the Approval of Investment Regulations |
| “Application Form(s)” | GREEN Application Form(s), or where the context so requires, any of them that is used in connection with the Global Offering |
| “Approval of Investment Regulations” | collectively, the Act Governing Relations between the People of the Taiwan Area and the Mainland China Area (《台灣地區與大陸地區人民關係條例》), the Regulations Governing the Approval of Investment or Technical Cooperation in the Mainland China Area (《在大陸地區從事投資或技術合作許可辦法》), the Principles Governing Review of Investment or Technical Cooperation in the Mainland China Area (《在大陸地區從事投資或技術合作審查原則》) and other relevant Taiwan laws and regulations |
| “Archstone” | Archstone Co., Ltd., a BVI business company established in the BVI with limited liability on February 24, 2011 which is wholly owned by Mr. Chen and our connected person |
| “Articles” or “Articles of Association” | the amended and restated articles of association of our Company adopted by the Shareholders by a special resolution passed on June 19, 2023 with effect from the Listing Date, a summary of which is set out in the section headed “Summary of the constitution of our Company and the Cayman Companies Act” in Appendix IV to this prospectus |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |

DEFINITIONS

| | |
|----------------------------|---|
| “Beijing Master” | Beijing Master Cultural Development Company Limited (北京精湛文創文化經紀有限公司), a company established in the PRC with limited liability on January 17, 2012, which held 30% of the equity interest in Beijing Star Plus Master as of the Latest Practicable Date, a connected person of our Company at the subsidiary level |
| “Beijing Star Plus Action” | Beijing Star Plus Action E-Commerce Company Limited (北京巨星行動電子商務有限公司), a company established in the PRC with limited liability on July 13, 2020 and our wholly-owned subsidiary |
| “Beijing Star Plus Legend” | Beijing Star Plus Legend Cultural Development Company Limited (北京巨星傳奇文化發展有限公司), a company established in the PRC with limited liability on June 2, 2020 and our wholly-owned subsidiary |
| “Beijing Star Plus Master” | Beijing Star Plus Master Cultural Communication Company Limited (北京巨星精湛文化傳播有限公司), a company established in the PRC with limited liability on November 6, 2017, a subsidiary which is owned as to 70% by our Company |
| “Beijing Weideli” | Beijing Weideli Commercial Management Company Limited (北京偉德利商業管理有限公司), a company established in the PRC with limited liability on November 16, 2017, through which Mr. Lai and Mr. Ho held 15% and 15% of our beneficial interest prior to the Reorganization, respectively |
| “Best Million” | Best Million Holdings Limited, a BVI business company established in the BVI with limited liability on March 1, 2011 and wholly owned by Ms. Ma |
| “Board” | the board of directors of our Company |
| “Bradbury” | Bradbury Private Investment III Inc., a BVI business company established in the BVI with limited liability on February 2, 2021, our Pre-IPO Investor and an Independent Third Party |
| “business day” | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |

DEFINITIONS

| | |
|--|---|
| “BVI” | the British Virgin Islands |
| “Capital Market Intermediaries” | the capital market intermediaries as named in the section headed “Directors and Parties Involved in the Global Offering” |
| “Capitalization Issue” | the issue of 178,445,376 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Statutory and general information – A. Further information about our group – 3. Resolutions of our Shareholders” in Appendix V to this prospectus |
| “Cayman Companies Act” or “Companies Act” | the Companies Act (2023 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “China”, “mainland China”, or “PRC” | the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only, references to “China”, “mainland China” and the “PRC” in this prospectus do not apply to Hong Kong, Macau and Taiwan, except where the context requires |
| “ <i>ChouMate</i> ” | <i>ChouMate</i> (周同學), a nijigen-style personality of Mr. Jay Chou, which was designed, developed and co-owned by our Group |

DEFINITIONS

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| “ <i>ChouMate</i> Projects” | Projects based on <i>ChouMate</i> where we are involved in planning, development and investment, as well as other commercial projects based on <i>ChouMate</i> |
| “CIC” | China Insights Industry Consultancy Limited, an independent industry consultant |
| “Circular 698” | Notice on Strengthening Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), issued by the SAT, which became effective retroactively as of January 1, 2008 and abolished and void as of December 1, 2017 |
| “Circular 7” | Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), which was issued by the SAT on February 3, 2015 |
| “Companies Ordinance” | Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Company” or “our Company” | Star Plus Legend Holdings Limited (巨星傳奇集團有限公司) (formerly known as Star Plus (Group) Limited (巨星文創(集團)有限公司)), an exempted company established in the Cayman Islands with limited liability on January 3, 2020 |
| “Concert Party Agreement” | the concert party agreement entered into amongst Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen on September 13, 2021 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |

DEFINITIONS

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| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Ms. Ma, Mr. Yang, Ms. Yeh, Mr. Chen, Harmony Culture, Legend Key and Max One. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus |
| “core connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “COVID-19” | coronavirus disease, an infectious disease caused by the SARS-CoV-2 virus |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Cybersecurity Review Measures” | the Cybersecurity Review Measures (《網絡安全審查辦法》), which was jointly released by the Cyberspace Administration of China (國家互聯網信息辦公室), the National Development and Reform Commission of the PRC, the MIIT, and several other PRC governmental authorities on December 28, 2021 and took effect on February 15, 2022 |
| “Deed of Indemnity” | the deed of indemnity dated May 29, 2023 and entered into by each of our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the paragraph headed “Statutory and general information – E. Other information – 1. Tax and other indemnities” in Appendix V to this prospectus |
| “Deed of Non-competition” | the deed of non-competition dated May 29, 2023 and entered into by each of our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the paragraph headed “Relationship with our Controlling Shareholders – Non-competition undertakings – Deed of Non-competition” in this prospectus |
| “Director(s)” | the director(s) of our Company |

DEFINITIONS

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| “Distribution Agent” | an entity that is identified as an a distribution agent of our products under the Distribution Agent Assisted Distribution Model who is regarded as a buyer of our products from the legal and contractual perspective whilst regarded as our agent from the accounting perspective, details of which are set out in the section headed “Business – Distribution network” in this prospectus |
| “Distribution Agent Assisted Distribution Model” | the distribution model adopted by us for the distribution of our <i>MODONG</i> coffee and other products, details of which are set out in the section headed “Business – Distribution network” in this prospectus |
| “Dr. Qian” | Dr. Qian, Sam Zhongshan (錢中山), our executive Director, chief executive officer and Pre-IPO Investor |
| “E-Commerce Law” | E-Commerce Law of the PRC (《中華人民共和國電子商務法》) |
| “Extreme Conditions” | the extreme conditions the government of Hong Kong may announce in the event of, for example, serious disruption of public transport services, extensive flooding, major landslides, or large-scale power outage after super typhoons according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department |
| “Founder(s)” | Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |
| “Great Essence” | Great Essence Holdings Limited (formerly known as Star Plus Holding Ltd. and Star Plus Investment Co., Ltd.), an exempted company established in Cayman Islands with limited liability on February 15, 2016, which is wholly-owned by Mr. Lai and our connected person |
| “ GREEN Application Form(s)” | the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited |

DEFINITIONS

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| “Group”, “our Group”, “the Group”, “we”, “us”, or “our” | our Company and our subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| “Hangzhou Hengmei” | Hangzhou Hengmei Food Science & Technology Co., Ltd. (杭州衡美食品科技有限公司), a company established in the PRC with limited liability on June 21, 2012, an Independent Third Party |
| “Hangzhou Talent Planet” | Hangzhou Talent Planet Culture Media Limited (杭州天賦星球文化傳媒有限公司), a company established in the PRC with limited liability on January 14, 2022, a subsidiary which is owned as to 70% by our Company |
| “Harmony Culture” | Harmony Culture Investment Limited, a BVI business company established in the BVI with limited liability on June 7, 2016, which is wholly owned by Ms. Ma and our Controlling Shareholder |
| “Hengmei Group” | collectively, Hangzhou Hengmei and its subsidiaries from time to time |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong dollars” or “HK dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong Offer Shares” | the 12,664,000 New Shares being initially offered by our Company for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus) |

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| “Hong Kong Public Offering” | the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong Underwriters” | the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus |
| “Hong Kong Underwriting Agreement” | the underwriting agreement, dated June 28, 2023, relating to the Hong Kong Public Offering, entered into by, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering” in this prospectus |
| “Independent Third Party(ies)” | any entity(ies) or person(s), as far as our Directors are aware of, after having made all reasonable enquiries, not a connected person(s) of our Company within the meaning of the Listing Rules |
| “Individual Proprietor” | industrial and commercial household (個體工商戶), refers to individuals conducting business within the scope permitted by PRC law under its own trade name |
| “Inspection Opinions” | the two inspection opinions issued by Kunshan AMR in June 2020 and June 2021 in response to the temporary suspensions of bank accounts as described in the section headed “Business – Distribution network – The Temporary Suspension of Bank Accounts due to alleged pyramid selling” in this prospectus |

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| “International Offer Shares” | the 113,976,000 Shares being initially offered for subscription under the International Offering, comprising 65,976,000 New Shares being initially offered by our Company for subscription and 48,000,000 Sale Shares offered by the Selling Shareholder for purchase together, where relevant, with any additional Shares that may be issued by our Company pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering – The International Offering” in this prospectus |
| “International Offering” | the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering – The International Offering” in this prospectus |
| “International Underwriters” | the underwriters of the International Offering |
| “International Underwriting Agreement” | the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Selling Shareholder, the Sole Overall Coordinator and the International Underwriters on or about July 5, 2023, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The International Offering” in this prospectus |
| “IP Authorization Agreement” | the IP authorization agreement entered into between the Company, Star Plus Development and JVR Music on August 30, 2021 as amended, supplemented or otherwise modified from time to time |
| “IP Counsel” | ELLALAN, our legal advisors as to Hong Kong intellectual property laws |
| “Jesports (Beijing)” | Jesports (Beijing) Cultural Development Company Limited (魔杰電競(北京)文化發展有限公司), a company established in the PRC with limited liability on May 23, 2016, and a wholly-owned subsidiary of Jesports (Kunshan) |

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| “Jesports (Kunshan)” | Jesports (Kunshan) Network Technology Company Limited (魔杰電競(昆山)網路科技有限公司), a company established in the PRC with limited liability on January 27, 2016 and owned by Shanghai Yige, Kunshan Renben and Lhasa Juchuang by 46%, 27% and 27%, respectively |
| “Joint Bookrunners” | the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” |
| “Joint Global Coordinators” | the joint global coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” |
| “Joint Lead Managers” | the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” |
| “Jointly-controlled Accounts” | bank account(s) of Kunshan Tingshe which are designated for the receipt of payments for the Kunshan Tingshe Distributed Products from the distributors and jointly controlled by Kunshan Tingshe and our Group pursuant to the Jointly-controlled Accounts Agreements |
| “Jointly-controlled Accounts Agreement(s)” | the agreement(s) entered into between our Group and Kunshan Tingshe regarding the Jointly-controlled Account(s) |
| “Jtea (Kunshan)” | Jtea (Kunshan) Dining Company Limited (魔杰的茶(昆山)餐飲服務有限公司), a company established in the PRC with limited liability on June 9, 2020, and a wholly-owned subsidiary of Jesports (Kunshan) |
| “Jushi Creative” | Jushi Creative (Kunshan) Asset Management Company Limited (巨室星創(昆山)資產管理有限公司), a company established in the PRC with limited liability on December 17, 2015. To the knowledge of our Company, Jushi Creative was owned by Beijing Movishow Technology Co., Ltd (北京摩威秀科技有限公司) and Kunshan Renben as to 73% and 27%, respectively |
| “JVR Music” | JVR Music International Ltd. (杰威爾音樂有限公司), a company established in Taiwan with limited liability on January 26, 2007, 45%, 40%, 10% and 5% of its equity interest were held by Mr. Yang, Mr. Jay Chou, Mr. Fang and Ms. Yeh as of the Latest Practicable Date and our connected person |

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| “ <i>J-Style Trip</i> ” | <i>J-Style Trip</i> (周遊記), a reality show starring Mr. Jay Chou, the season one of which was aired on Zhejiang Satellite TV from March to June 2020 |
| “Kai Le” | Kai Le Investment Holdings I Ltd., an exempted company established in the Cayman Islands with limited liability in June 28, 2010 and wholly owned by Mr. Ho |
| “Kunshan AMR” | Kunshan Municipal Administration for Market Regulation (昆山市市場監督管理局) |
| “Kunshan Jiabao” | Kunshan Jiabao Netshang Culture Investment Co., Ltd. (昆山嘉寶網尚文化投資有限公司), a company established in the PRC with limited liability on January 31, 2012 and wholly owned by WS World (Kunshan) Digital Film Culture Development Co. Ltd. (網尚世界(昆山)數字電影文化發展有限公司), an Independent Third Party |
| “Kunshan Jiameng” | 昆山嘉夢管理諮詢有限公司 (Kunshan Jiameng Management Consultation Company Limited*), a company established in the PRC and wholly-owned by Independent Third Parties |
| “Kunshan Pilot Program” | a program established by the government authorities in Kunshan to encourage the development and operation of social e-commerce industry in Kunshan Program |
| “Kunshan Renben” | Kunshan Renben Cultural Consulting Agency Company Limited (昆山人本文創諮詢顧問有限公司), a company established in the PRC with limited liability on May 14, 2014, which was indirectly held by Lee, Chiu-yuan (李秋緣), Ma, Shou-cheng (馬壽成) and two Independent Third Parties as to 93.1%, 1% and 5.9%, respectively. Ma, Shou-cheng and Lee, Chiu-yuan is the brother and sister-in-law of Ms. Ma, respectively |
| “Kunshan Star Plus Action” | Kunshan Star Plus Action E-Commerce Company Limited (昆山巨星行動電子商務有限公司), a company established in the PRC with limited liability on March 17, 2016 and our wholly-owned subsidiary |
| “Kunshan Talent Planet” | Kunshan Talent Planet Culture Media Limited (昆山天賦星球文化傳媒有限公司), a company established in the PRC with limited liability on May 26, 2022, a subsidiary which is owned as to 70% by our Company |

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| “Kunshan Tingshe” | Kunshan Tingshe E-Commerce Company Limited (昆山巨星汀奢電子商務有限公司), a company established in the PRC with limited liability on June 18, 2019, in which we held 80% equity interests prior to its disposal in May 2020 |
| “Kunshan Tingshe Distributed Products” | products of our Group which were distributed through Kunshan Tingshe under the Distribution Agent Assisted Distribution Model during the Track Record Period, including <i>MODONG</i> coffee (being the major product during the Track Record Period), <i>Molitone</i> prebiotic gummy (being introduced by our Group in January 2020), <i>MODONG</i> herb beverage and <i>MODONG</i> probiotics lyophilized powder (together with <i>MODONG</i> herb beverage, both being introduced by our Group in October 2021), as further explained in the section headed “Distribution arrangement with Kunshan Tingshe” in this prospectus |
| “Lake Ranch” | Lake Ranch Limited, a BVI business company established in the BVI with limited liability on May 2, 2018 and wholly owned by Mr. Ho, and our Selling Shareholder |
| “Latest Practicable Date” | June 20, 2023, being the latest practicable date for ascertaining certain information in this prospectus before its publication |
| “Legend Key” | Legend Key International Limited, a company established in Samoa with limited liability on July 25, 2018, the shares of which were held by Mr. Yang and Ms. Yeh as to 50% and 50%, respectively and one of our Controlling Shareholders |
| “Lhasa Juchuang” | Lhasa Economic and Technology Development Zone Juchuang Investment Company Limited (拉薩經濟技術開發區聚創投資有限公司), a company established in the PRC with limited liability on September 22, 2014. To the knowledge of our Company, the equity interest of Lhasa Juchuang was held by Wang Xiaoping (王孝萍) and Wang Guiqing (王貴青) in equal share; and each of Wang Xiaoping (王孝萍) and Wang Guiqing (王貴青) are Independent Third Parties |
| “Listing” | the listing of the Shares on the Main Board of the Stock Exchange |

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| “Listing Committee” | the Listing Committee of the Stock Exchange |
| “Listing Date” | the date on which our Shares are first listed and from which dealings in our Shares first commence on the Main Board of the Stock Exchange, expected to be on or around July 13, 2023 |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “Liu-related Nijigen-style Personality(ies) Cooperation Agreement” | the cooperation agreement dated July 8, 2022 and entered into between our Group, Mr. Liu Keng-hung, Ms. Vivi Wang and W&V regarding the creation and design of nijigen-style personalities inspired by Mr. Liu Keng-hung and Ms. Vivi Wang |
| “Liu’s Performance-related Cooperation Agreements” | the cooperation agreements (as supplemented from time to time) entered into between, among others, our Group and Mr. Liu Keng-hung in 2021 and 2022 regarding the entertainment and performance business of Mr. Liu Keng-hung in the PRC |
| “Long Precise” | Long Precise Limited, a BVI business company established in the BVI with limited liability on January 16, 2018. To the knowledge of our Company, Long Precise was owned as to 61.47% and 38.53% by Mr. Ho and Ms. Zhang respectively, our Pre-IPO Investor. On May 5, 2023, Long Precise transferred all the Shares it owned to Kai Le and Ms. Zhang |
| “M&A Rules” | Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Main Board” | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange |

DEFINITIONS

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| “Main Distribution Agreement” | the distribution agreement entered into between our Group and Kunshan Tingshe from time to time for the Kunshan Tingshe Distributed Products |
| “Max One” | Max One Ltd., a company established in the Republic of Mauritius with limited liability on May 2, 2011 and continued in Samoa which is wholly-owned by Mr. Chen and one of our Controlling Shareholders |
| “MCN Company” | a reputable MCN company in the PRC, also being Customer G |
| “Memorandum” or “Memorandum of Association” | the memorandum of association of our Company adopted by the Shareholders by a special resolution passed on June 19, 2023, with effect from the Listing Date |
| “MIIT” | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| “MOFCOM” | Ministry of Commerce of the PRC (中華人民共和國商務部) |
| “Mr. Chen” | Mr. Chen, Chung (陳中), our Founder, one of our Controlling Shareholders and a non-executive Director |
| “Mr. Fang” | Mr. Fang, Wenshan (方文山), a lyricist of Chinese pop music, a music producer and our chief cultural officer |
| “Mr. Harlem Yu” | Mr. Harlem Yu (庾澄慶), a singer and songwriter in Chinese pop music industry |
| “Mr. Ho” | Mr. Ho, Chi Sing (何志成), our Pre-IPO Investor |
| “Mr. Jay Chou” | Mr. Jay Chou (周杰倫), a Taiwan singer, songwriter, record producer and actor that has been well-known in Chinese-speaking communities for over 20 years |
| “Mr. Lai” | Mr. Lai, Kwok Fai Franki (賴國輝), our substantial shareholder, executive Director, chief financial officer and Pre-IPO Investor |
| “Mr. Liu Keng-hung” | Mr. Liu Keng-hung (劉畊宏), a celebrity in the fitness and body-building sector |

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| “Mr. Yang” | Mr. Yang, Chun-Jung (楊峻榮), our Founder, one of our Controlling Shareholders and a non-executive Director |
| “Ms. Ma” | Ms. Ma, Hsin-Ting (馬心婷), our Founder, one of our Controlling Shareholders, and an executive Director |
| “Ms. Vivi Wang” | Ms. Wang Peiyun (王佩云), Mr. Liu Keng-hung’s spouse |
| “Ms. Yeh” | Ms. Yeh, Hui-Mei (葉惠美), our Founder, Controlling Shareholder and Mr. Jay Chou’s mother |
| “Ms. Zhang” | Ms. Zhang, Jing (張靜), the spouse of Dr. Qian and Pre-IPO Investor |
| “New Shares” | the new Shares being initially offered by our Company for subscription under the Hong Kong Public Offering and the International Offering |
| “NTD” | New Taiwan dollar(s), the lawful currency of Taiwan |
| “Offer Price” | HK\$4.25 per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%), at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering |
| “Offer Share(s)” | the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option |
| “Option(s)” | the share option(s) granted/to be granted pursuant to the terms and conditions of the Share Option Schemes |
| “Option Price” | in respect of any Option the price determined by the Board and notified to an Option-holder |
| “Option-holder” | a person holding an Option (and, where relevant, includes his personal representatives) |

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| “Ordering Management System” | a mobile SaaS system that we operate by way of a channel-faced WeChat mini-program which provides a centralized system to manage the ordering and delivery of our major products. The Ordering Management System comprises two subsystems, namely the Ordering System and the QR Code System, the details of which are set out in the section headed “Business – Data privacy and cybersecurity – Ordering Management System” in this prospectus |
| “Ordering System” | the ordering system, which enables our distributors and the sub-distributors to place orders and records the delivery of products from our warehouse to our distributors or sub-distributors, the details of which are set out in the section headed “Business – Data privacy and cybersecurity – Ordering Management System” in this prospectus |
| “Over-allotment Option” | the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Overall Coordinator on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 18,996,000 Shares (representing in aggregate approximately 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus |
| “Post-IPO Share Option Scheme” | the post-IPO share option scheme approved and adopted by our Company on June 19, 2023, the principal terms of which are set out in the paragraph headed “Statutory and general information – D. Share Option Schemes – 2. Post-IPO Share Option Scheme” in Appendix V to this prospectus |
| “PRC Legal Advisors” | Han Kun Law Offices, our legal advisors on PRC laws |

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| “Pre-IPO Investment(s)” | certain rounds of transfers or financing carried out by our Group or Shareholders before the Global Offering, details of which are set out in the section headed “History, development and Reorganization – Pre-IPO Investments” in this prospectus |
| “Pre-IPO Investors” | the investors of the Pre-IPO Investments |
| “Pre-IPO Share Option(s)” | Option(s) granted under the Pre-IPO Stock Incentive Plan |
| “Pre-IPO Stock Incentive Plan” | the pre-IPO stock incentive plan approved and adopted by our Company on August 3, 2020, the principal terms of which are set out in the paragraph headed “Statutory and general information – D. Share Option Schemes – 1. Pre-IPO Stock Incentive Plan” in Appendix V to this prospectus |
| “QR Code System” | the QR code system, which keeps track of the movement of our products from our distributor or sub-distributors to the end consumers, the details of which are set out in the section headed “Business – Data privacy and cybersecurity – Ordering Management System” in this prospectus |
| “Regulation on the Prohibition of Pyramid Selling” | Regulation on the Prohibition of Pyramid Selling (《禁止傳銷條例》), which was issued by the State Council of China on August 23, 2005, and took effect on November 1, 2005 |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Reorganization” | the reorganization arrangements undertaken by our Group in preparation for the Listing, details of which are set out in the section headed “History, development and Reorganization – Reorganization” in this prospectus |
| “Reporting Accountant” | PricewaterhouseCoopers, the reporting accountant of our Company |
| “Resurgence” | the resurgence of COVID-19 pandemic, including the highly transmissible Omicron variant, in various districts in the PRC since late 2021, which had subsequently developed into a large-scale outbreak in the first half of the 2022 |

DEFINITIONS

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| “RMB” or “Renminbi” | Renminbi, the lawful currency of China |
| “SAFE” | the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| “SAFE Circular No. 37” | The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, financing and Return on Investment Conducted by Residents in China via Special Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理局有關問題的通知》) promulgated by SAFE with effect from July 14, 2014 |
| “SAIC” | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR |
| “Sale Shares” | the 48,000,000 Shares being offered by the Selling Shareholder for purchase under the International Offering, subject to adjustment and reallocation as described in the section headed “Structure of the Global Offering – The International Offering” in this prospectus |
| “SAMR” | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| “SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會) |
| “SAT” | the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) |
| “SCNPC” | the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) |
| “Secret Music (HK)” | Secret Music (HK) Limited (秘密音樂(香港)有限公司), a company established in Hong Kong with limited liability on July 4, 2018, a subsidiary which was owned by our Company and Sapphire Prismatic Limited as to 50% and 50%, respectively |

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| “Selected Distributor(s)” | our distributor(s) who are selected by Kunshan Tingshe and entitled to sales volume based fees (details of which are discussed in the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus) |
| “Selling Shareholder” | Lake Ranch, in the capacity of the seller of the Sale Shares pursuant to the International Underwriting Agreement |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shanghai Star Plus IP” | Shanghai Star Plus IP Creative Cultural Company Limited (上海星創智權文化創意有限公司), a company established in the PRC with limited liability on November 29, 2021 and our wholly-owned subsidiary |
| “Shanghai Yige” | Yige Corporation Management Consulting (Shanghai) Company Limited (倚格企業管理諮詢(上海)有限公司), a company established in the PRC with limited liability on June 20, 2016 and our connected person by virtue of Mr. Yang, Ms. Yeh and Mr. Fang indirectly holding 45%, 45% and 10% of its equity interest, respectively |
| “Share(s)” | ordinary share(s) in the share capital our Company with nominal value US\$0.00001 each |
| “Share Option Schemes” | the Pre-IPO Stock Incentive Plan and the Post-IPO Share Option Scheme |
| “Shareholder(s)” | holder(s) of our Share(s) |
| “Sole Overall Coordinator” | CMBC Securities Company Limited |
| “Sole Sponsor” | CMBC International Capital Limited |
| “Stabilizing Manager” | Bradbury Securities Limited |

DEFINITIONS

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| “Star Media” | Star Media Global Ltd., a BVI business company established in the BVI with limited liability on February 2, 2016 and wholly owned by Mr. Lai, our connected person |
| “Star Plus Action (HK)” | Star Plus Action (HK) Limited (巨星行動文化(香港)有限公司) (formerly known as Star Action Cultural (HK) Limited), a company established in Hong Kong with limited liability on December 5, 2019 and our wholly-owned subsidiary |
| “Star Plus Aijia” | Star Plus Aijia (Kunshan) E-Commerce Company Limited (星創愛嘉(昆山)電子商務有限公司), a company established in the PRC with limited liability on December 1, 2022 and our wholly-owned subsidiary |
| “Star Plus Aiyou” | Star Plus Aiyou (Kunshan) E-Commerce Company Limited (星創愛優(昆山)電子商務有限公司), a company established in the PRC with limited liability on September 29, 2022 and our wholly-owned subsidiary |
| “Star Plus Development” | Star Plus Development Limited (巨星文創發展有限公司) (formerly known as Jolly Concept Enterprises Limited (創熹企業有限公司)), a BVI business company established in the BVI with limited liability on December 21, 2007 and our wholly-owned subsidiary |
| “Star Plus Entertainment” | Star Plus Entertainment (HK) Limited (巨星文創娛樂(香港)有限公司) (formerly known as Talent Will International Investment Limited (駿志國際投資有限公司)), a company established in Hong Kong with limited liability on November 3, 2015 and our wholly-owned subsidiary |
| “Star Plus Entertainment (Hangzhou)” | Star Plus Entertainment (Hangzhou) Creative Culture Company Limited (杭州星創藝創想文娛有限公司), a company established in the PRC with limited liability on March 11, 2022 and our wholly-owned subsidiary |
| “Star Plus Entertainment (Kunshan)” | Star Plus Entertainment (Kunshan) Company Limited (星創藝(昆山)文娛有限公司), a company established in the PRC with limited liability on June 29, 2021 and our wholly-owned subsidiary |

DEFINITIONS

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| “Star Plus Excellence” | Star Plus Excellence (Kunshan) E-Commerce Company Limited (星創優選(昆山)電子商務有限公司), a company established in the PRC with limited liability on June 7, 2021 and our wholly-owned subsidiary |
| “Star Plus IP” | Star Plus IP (HK) Limited (巨星文創智權(香港)有限公司), a company established in Hong Kong with limited liability on August 2, 2018 and our wholly-owned subsidiary |
| “Star Plus IP (Kunshan)” | Star Plus IP (Kunshan) Creative Cultural Company Limited (星創智權(昆山)創意文化有限公司), a company established in the PRC with limited liability on June 30, 2021 and our wholly-owned subsidiary |
| “Star Plus J Movie” | Star Plus J Movie (HK) Limited (巨星傑爾影業(香港)有限公司) (formerly known as J Movie (HK) Limited (巨星傑爾影業(香港)有限公司)), a company established in Hong Kong with limited liability on July 26, 2018 and our wholly-owned subsidiary |
| “Star Plus JM (Kunshan)” | Star Plus JM (Kunshan) Cultural Development Company Limited (星創杰影(昆山)文化發展有限公司), a company established in the PRC with limited liability on July 1, 2021 and our wholly-owned subsidiary |
| “Star Plus (Kunshan)” | Star Plus Cultural (Kunshan) Investment Company Limited (巨室文創(昆山)投資有限公司), a company established in the PRC with limited liability on November 4, 2015 and our wholly-owned subsidiary |
| “Star Plus Meishang” | Star Plus Meishang (Kunshan) E-Commerce Company Limited (星創美尚(昆山)電子商務有限公司), a company established in the PRC with limited liability on December 1, 2022 and our wholly-owned subsidiary |
| “Star Plus Meiyou” | Star Plus Meiyou (Kunshan) E-Commerce Company Limited (星創美優(昆山)電子商務有限公司), a company established in the PRC with limited liability on December 1, 2022 and our wholly-owned subsidiary |
| “Star Plus Projects” | Projects contemplated under the IP Authorization Agreement |

DEFINITIONS

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| “Star Plus (Taiwan)” | Star Plus Creative Cultural Company Limited (巨星創意文化股份有限公司), a company established in Taiwan with limited liability on March 2, 2023 and our wholly-owned subsidiary |
| “State Council” | the PRC State Council (中華人民共和國國務院) |
| “Stock Borrowing Agreement” | the stock borrowing agreement expected to be entered into between Mr. Lai and the Stabilizing Manager or its affiliates on or about July 5, 2023 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Strengthening Regulations” | Regulations in Relation to Strengthening the Regulation of Entertainment Industry (關於進一步加強文藝節目及其人員管理的通知), which was released by the General Office of the National Radio and Television Administration, on September 2, 2021 |
| “subsidiary(ies)” | has the meaning ascribed to it in the Listing Rules |
| “Taiwan Investment Commission” | the Investment Commission of the Ministry of Economic Affairs of Taiwan |
| “Taiwan Legal Advisors” | LCS & Partners, our legal advisors as to Taiwan laws |
| “Taiwan Shareholders” | our Shareholders who are holders of Taiwan passports |
| “Takeovers Codes” | The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time |
| “Talent Planet” | Talent Planet (HK) Limited (天賦星球(香港)有限公司), a company established in Hong Kong with limited liability on November 26, 2021, our subsidiary which was owned by Star Plus IP and W&V as to 70% and 30%, respectively |
| “Track Record Period” | the period comprising the four financial years ended December 31, 2019, 2020, 2021 and 2022 |

DEFINITIONS

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| “Trial Measures” | Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) which was approved by the State Council and released by the CSRC on February 17, 2023 |
| “Underwriters” | the Hong Kong Underwriters and the International Underwriters |
| “Underwriting Agreements” | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| “United States”, “U.S.” or “US” | United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “US dollars”, “U.S. dollars” or “US\$” | United States dollars, the lawful currency of the United States |
| “U.S. Securities Act” | United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| “ White Form eIPO ” | the application of Hong Kong Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk |
| “ White Form eIPO Service Provider” | the White Form eIPO service provider designated by our Company, Computershare Hong Kong Investor Services Limited |
| “W&V” | W&V Limited, a company incorporated in the BVI with limited liability, which is owned as to 95% by Ms. Meng Ching-Jung (孟慶榮) and 5% by Ms. Vivi Wang, a controlling shareholder of Talent Planet |
| “%” | per cent. |

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Capitalization Issue and the Global Offering assume that the Over-allotment Option is not exercised and no additional Shares are issued under the Pre-IPO Stock Incentive Plan and Post-IPO Share Option Scheme.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with us and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

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| “bulletproof coffee” | a type of beverage containing high fat specially designed for low-carbohydrate diet plan to meet the plan’s fat/energy ratio |
| “CAGR” | compound annual growth rate |
| “celebrity IP” | refers to any IP that is based on, inspired by or relate to a celebrity |
| “Douyin” | <i>Douyin</i> (抖音), a social media short-form video app for creating and sharing short videos |
| “E-commerce Livestreaming” | E-commerce Livestreaming (直播帶貨) refers to Livestreaming sessions involving sale of products, where livestreamers would promote and/or demonstrate the features of product(s) in order to motivate viewers of such Livestreaming session to purchase such product(s) and normally include a link on the screen which allow viewers to access the online store and make purchase in real time |
| “GMV” | gross merchandise volume, which is (i) the full value of all purchases transacted and settled on the stores operated by the Company; and (ii) the full value of all purchases transacted and settled between other businesses and the Company |
| “IP” | refers to the properties that include intangible creations of the human intellect, consisting of copyrights, patents, trademarks, and etc., which could contain various IP types in different nature, including literature, films and TVs, games, cartoons and animation, music, live concerts, art etc. |

GLOSSARY

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| “IP empowerment” | a marketing strategy commonly adopted in the market by (a) embedding a suitable IP, such as animation character, celebrity IP and music, and related elements and concepts to products and/or product package, or (b) commercializing a suitable IP to promote a company’s products, and enhance consumer’ stickiness, brand value as well as brand awareness |
| “IT” | information technology |
| “KOC” | key opinion consumer |
| “KOL” | key opinion leaders |
| “ <i>Kuaishou</i> ” | <i>Kuaishou</i> (快手), a social media short-form video app for creating and sharing short videos |
| “Livestreaming” | Livestreaming (直播) refers to the act of broadcasting video content to an audience in real-time over the internet, which can be done through various online-platforms. Livestreaming has become increasingly popular in recent years for entertainment, education, and marketing purposes |
| “MCN” | multi-channel network, an organization or platform that works with video platforms to offer assistance to a channel owner in areas such as product, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, and/or audience development |
| “Netflix” | an online platform providing subscription-based streaming services |

GLOSSARY

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| “new retail business” | a business model that: (i) combines online and offline commerce through the digitization of the entire retail value chain for the benefit of the merchants, the distributors (if any), the consumers, and the company; (ii) leverages digital payments data to create new efficiencies and capabilities in logistics, marketing, and product development; (iii) support merchants with new tools and insights that cut costs and drive sales; and (iv) offer customers a seamless and customized shopping experience across the online and offline spaces (e.g. via interactions between distributors and end consumers through communications on social media and messaging apps or participation of offline meetings, such as annual events, conferences, meetings and/or face-to-face sales at distributors’ retail shops), which is in line with industry norm and commonly used |
| “nijigen-style personality” | two-dimensional anime or manga inspired fictional character or real-life person |
| “ODM” | original design manufacturing or original design manufacturer (as the case may be), a term used to refer to arrangements under which products are designed and manufactured for a customer that is a retailer and the said products will be sold to consumers by the said customer |
| “OEM” | original equipment manufacturing or original equipment manufacturer (as the case may be), a term used to refer to arrangements under which products are manufactured in whole or in part in accordance with the customer’s specifications and are marketed under the customer’s own brand names |
| “PDT” | private domain traffic (私域流量), traffic that can be freely controlled and utilized repeatedly by community and content publishers vis-à-vis public domain traffic |
| “ <i>Tmall</i> ” | <i>Tmall</i> (天貓), a website for business-to-consumer online retail in China |
| “TMT” | telecommunications, media and technology |
| “Zhejiang Satellite TV” | Zhejiang Television (浙江衛視), a TV network under Zhejiang Radio and Television Group (浙江廣播電視集團), broadcast from Hangzhou, Zhejiang Province |

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statement. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies, ability and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- availability of bank loans and other forms of financing;

FORWARD-LOOKING STATEMENTS

- the actions and developments of our competitors;
- general economic, political and business conditions in the PRC; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could significantly decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We experienced fluctuation of our financial results during the Track Record Period primarily attributable to the fluctuation in the sale of our *MODONG* coffee. We cannot assure you that we will be able to maintain the growth rate that we have experienced in the early stage of our development.

We experienced significant growth in operational scale and certain fluctuation in our financial results during the Track Record Period. Our total revenue increased by 427.6% from RMB86.6 million in 2019 to RMB456.9 million in 2020, decreased by 20.0% from RMB456.9 million in 2020 to RMB365.3 million in 2021, and decreased by 5.8% from RMB365.3 million in 2021 to RMB344.2 million in 2022. In particular, the fluctuation in our revenue was primarily resulted from the sale of our *MODONG* coffee launched in April 2019, the sales revenue of which accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in 2019, 2020, 2021, and 2022, respectively. The decrease in our total revenue in 2021 to 2022 was mainly attributable to the decrease in revenue from our new retail business due to the disruptions to our business caused by the control measures imposed by the local government in respect of the Resurgence of COVID-19 pandemic and the cessation of material promotional effect of *J-Style Trip* season one since July 2020.

As a company with a relatively limited operating history, our historical growth may not be indicative of our future performance. We cannot assure you that we will be able to grow at the same rate as we did in 2019 and 2020, recover from the decline in revenue and profit experienced for the year ended December 31, 2021, or recover from the decline in revenue derived the new retail segment experienced for the year ended December 31, 2022. In particular, in the event that the demand for *MODONG* coffee or its selling price declines, and we fail to generate adequate revenue from other products or services that we provide, our business prospects, financial condition and results of operations may be materially and adversely impacted. Further, we may not be successful in executing our growth strategies, and even if we achieve our strategic plan, we may not be able to sustain profitability. In future periods, our

RISK FACTORS

revenue could decline further or grow more slowly than we expected. We may also incur significant losses in the future for a number of reasons, some of which are beyond our control, including decreasing consumer spending, increasing competitions, declining growth of our overall market or industry, the emergence of alternative business models, changes in rules, regulations, government policies or general economic conditions. It is difficult to evaluate our prospects, as we may not have sufficient experiences in addressing the risks to which companies operating in rapidly evolving markets may be exposed. If our growth rate declines, investors' perceptions of our business and prospects may be materially and adversely affected. You should consider our prospects in light of the risks and uncertainties that companies with a limited operating history may encounter.

We are subject to the key man risk of Mr. Jay Chou (whom has been and will continue to have impact on us), and his persona had a significant impact on the events and programs created by us, and created a promotion effect on the sales of our products during the Track Record Period and such effect is expected to remain in the foreseeable future. If we are not able to cooperate with Mr. Jay Chou, JVR Music or any of his other affiliates, our business, financial position and results of operation may be adversely affected.

Our business operation is subject to the key man risk of Mr. Jay Chou (whom has been and will continue to have impact on us) as we heavily rely on the cooperation with Mr. Jay Chou and his nijigen-style personalities, *ChouMate*, and we benefitted from Mr. Jay Chou's influence which came from various forms such as IP and fan group. Our cooperation with Mr. Jay Chou had a significant impact on the events and programs created by us such as *J Style Trip* season one, and created promotion effect on the sales of *MODONG* coffee during the Track Record Period and such effect is expected to remain in the foreseeable future. We secured our cooperation with Mr. Jay Chou through JVR Music and Archstone, being Mr. Jay Chou's artiste management company and representative, respectively, and from time to time enter into agreements with them. JVR Music has been and is under Mr. Jay Chou's authorization to use Mr. Jay Chou's publicity rights, while Archstone represents Mr. Jay Chou in business negotiations under the authorization and consent of JVR Music.

Each of our existing cooperation agreements with JVR Music and any future agreements that we may enter with it, including our cooperation agreements with JVR Music on *ChouMate* and the IP Authorization Agreement, stipulate grounds of termination. Although our relationship with JVR Music remained stable, we cannot assure you that we will be able to maintain such relationship in the future, and there is no guarantee that JVR Music will enter into new cooperation agreements with us, especially those that are related to Mr. Jay Chou.

On the other hand, if the business relationship among Mr. Jay Chou, JVR Music and/or Archstone is terminated, and they decide to no longer cooperate with us or authorize us to use Mr. Jay Chou's publicity or intellectual properties rights, or if the agreements that we have entered into with any of them are terminated, our cooperation with Mr. Jay Chou may be affected and we may not be able to execute projects related to Mr. Jay Chou. If we do not cooperate with Mr. Jay Chou, we may no longer enjoy the promotional effect that Mr. Jay Chou has created on both new retail and IP creation and operation segments. We may also be unable to

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identify alternative celebrities who have the same persona and influence of Mr. Jay Chou to carry out our plans for IP creation and operation, thus the creation and production of our IP contents might experience disruptions. As a result of the above, our business operations, financial position and results of operation may be materially and adversely affected.

Our expansion plan and business operations in Mainland China may be affected as a result of our Taiwan Shareholders' interests in us as they may be required to obtain approvals from the Taiwan Investment Commission for investments in Mainland China, as well as the tensions between two sides of the strait.

Pursuant to the Approval of Investment Regulations, investment in the Mainland China by any individual with Taiwan passport or Taiwan-incorporated entity is subject to the approval of the Taiwan Investment Commission. For details, please refer to “Regulatory Overview – Approval of Investment Regulations” of this prospectus. We cannot guarantee that the current practice and policy of the Taiwan Investment Commission will remain the same in the future, and any changes in the practice and policy may affect our Taiwan Shareholder’s likelihood in obtaining the Taiwan Investment Commission’s approval.

Save for using proceeds from the Global Offering, if our Company conducts any equity capital increase into our Mainland China subsidiaries such that any of our Taiwan Shareholders exceeds the Annual Investment Quota, or our Taiwan Shareholder(s) are unable to obtain the Taiwan Investment Commission’s approval, they may be required to reduce her/his shareholding in our Company. We cannot assure you that she/he will be able to reduce her/his shareholding in our Company in a timely and orderly manner, or at all. If any Taiwan Shareholder fails to reduce her/his shareholding in our Company in a timely and orderly manner, our future investments through equity capital increase into our Mainland China subsidiaries may be limited, which could affect our future expansion plans and prospects in Mainland China. In addition, any reduction of the shareholdings in our Company by them pursuant to the Approval of Investment Regulations may cause volatility in, or otherwise have a material adverse effect on the trading price of our Shares.

Any penalties for violation of the Approval of Investment Regulations for our Taiwan Shareholders’ investments in our Company would be directed at the violating Taiwan Shareholder(s), and any penalties for such breach will be more than of NTD50,000 but less than NTD25 million. Such penalties will not be directed at our Company or Mainland China entities which our Taiwan Shareholders invest in. Nevertheless, any violation of the Original Quota or Annual Investment Quota of our Taiwan Shareholders or the failure of our Taiwan Shareholder(s) to obtain the requisite approval from the Taiwan Investment Commission for their investment in our Group may delay our expansion plan as we will be required to seek alternative routes to implement our expansion plan, which may involve additional time and hence will affect our business operations.

Further, there have been tensions in the relationship between two sides of the strait which have impacted the trade, investments, and other economic activities between them, in particular, since the outbreak of COVID-19 when travel restrictions have been tightened. As a number of

RISK FACTORS

our Shareholders, including Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen are holders of Taiwan passports; and we from time to time cooperate with celebrities from Taiwan, including Mr. Jay Chou, Mr. Harlem Yu, Mr. Liu Keng-hung and Ms. Vivi Wang who are critical to our IP creation and operation segment, any further escalation in tensions between two sides of the strait or news and rumors of any escalation could introduce uncertainties to economic activities between two sides of the strait, which in turn could affect companies with collaboration in two sides of the strait like us. In addition, we do not have any control over statements made by or actions of such persons and/or their associated celebrities or close contacts via social media and other forms of publicity, and rising geopolitical tensions could result in either Mainland China or Taiwan authorities and/or consumers taking adverse positions with respect to intentional or unintentional social or political statements or actions made by such persons that could potentially negatively impact our business, results of operations and expansion plans.

Our IP Authorization Agreement with JVR Music is subject to restrictions, in particular, our priority rights thereunder are non-exclusive (other than *ChouMate* Projects). If JVR Music decides not to co-operate with us on projects related to Mr. Jay Chou, our business, financial position and results of operation may be adversely affected.

Pursuant to the IP Authorization Agreement, our cooperation with Mr. Jay Chou through JVR Music is subject to restrictions, for example, we are granted the non-exclusive priority right to, among other things, (i) design and develop virtual idols centered on Mr. Jay Chou's image in anime and movies projects, (ii) design and plan shows related to Mr. Jay Chou, and (iii) invest in JVR Music's and/or Mr. Jay Chou's Hollywood Movies. Even if any of the abovementioned projects are proposed by us, JVR Music retains the sole discretion to decide whether to cooperate with us or other third parties, hence there is no guarantee that we will be able to participate in such projects at all. If we are unable to carry out the Star Plus Projects (except the *ChouMate* Projects) with JVR Music or JVR Music decides not to cooperate with us on such projects, plans that we have for our IP creation and operation segment will be affected, and our business, financial position and results of operation may be adversely affected.

We rely on our cooperation with celebrities such as Mr. Jay Chou, Mr. Liu Keng-hung, Ms. Vivi Wang and Mr. Harlem Yu etc. in our businesses, and any negative impact on such celebrities' reception by or exposure to our consumers may have material adverse effects on our business, financial position and results of operations.

Our new retail and/or IP creation and operation businesses rely on the cooperation with celebrities. For example, we created nijigen style personality for certain celebrities. During the Track Record Period, we monetize our proprietary celebrity IPs by licensing them to our business partners to generate revenue for our IP creation and operation business as well as using them to empower the sales of our products by creating promotional effect. We believe association of our products with relevant celebrities through such proprietary celebrity IPs facilitate our efforts to introduce our products, in particular new products, to end consumers who maybe be more familiar with the relevant IP/celebrity but have not previously purchased our products.

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The empowerment of our proprietary IPs heavily relies on the public image of the relevant celebrities. However, the entertainment industry is ever-changing. In the event that any of these celebrities that we cooperate with, such as Mr. Jay Chou, Mr. Liu Keng-hung, Ms. Vivi Wang and Mr. Harlem Yu etc., loses his/her popularity, or is involved in any negative publicity, such negative public reception on the relevant celebrity may have material adverse effect on our operations. Such negative impact may be out of our control, as well as the relevant celebrity's control, including but not limited to, change in market preference, unfavorable media coverage, whether truthful or not, or rules and regulations on entertainment or social media industries that affect or limit the scope and contents of performance by media persona. Any such negative impact may limit the media exposure, and/or our ability to promote our product in association with our proprietary celebrity IPs which centered around such celebrities, or our ability to plan media programs or concerts that feature them. Please refer to the section headed "Business – Recent developments on our regulatory environment in relation to celebrities and Livestreaming in the PRC – Impact on other celebrities and KOLs whom we have been or will be cooperating with – Incident relating to products promoted by Mr. Liu Keng-hung and Ms. Vivi Wang prior to our cooperation with them". If any such event has a lasting negative impact on the reception of the relevant celebrity, by or exposure to the public, and in particular our consumers, our business, financial position and results of operations may be materially and adversely affected.

In addition, despite the success of our cooperation with celebrities during the Track Record Period, there is no assurance that we can secure cooperation with other celebrities in the future or our cooperation with celebrities in the future will be as successful as we expected. The effectiveness of our marketing activities depends on various factors, including but not limited to, the change in public reception towards the corresponding celebrity and the change in public policies relating to commercial activities conducted by celebrities. If we are not able to secure cooperation with other celebrities in the future or our cooperation with celebrities is not as successful as we expected, our business and results of operations may be adversely affected.

We rely on our collaboration with KOCs and KOLs in the promotion of our products. Our reputation may be negatively affected by inaccurate or inappropriate comments or content made or any negatively publicity of such KOCs and KOLs.

During the Track Record Period, a substantial portion of our revenue was generated from the sale through a distribution network of our distributors and sub-distributors, who may further developed into KOCs of our products through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers. We also collaborate with KOLs from time to time to promote our products through E-commerce Livestreaming sessions on online platforms. We are unable to always control the comments and content made by such KOCs or KOLs. Our reputation and business may be negatively affected if the KOCs and KOLs with whom we cooperate with provide inaccurate or misleading information regarding our products or engage in any illegal, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the public interests. In addition, the KOCs and KOLs we cooperate with may be subject to negative media coverage and publicity from time to time, which may negatively affect the reputation of our products, our brand and our Company.

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We may also be required to spend significant time and incur substantial costs in response to allegations and negative publicity relating to such KOCs and KOLs, and may not be able to diffuse them.

Our operations and reputation may be perceived to be connected with the reputation of the KOCs that we collaborate with. Therefore, our brand image and reputation could be negatively impacted by negative publicity in relation to the KOCs that we collaborate with. Negative publicity about them could occur in many circumstances that are beyond our control. Any such negative publicity, regardless of its veracity, could hurt our reputation and may result in costs incurred to offset such reputation damage and have a negative impact on our business, results of operations and financial condition.

During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting, as the key personnel of Kunshan Tingshe, for distribution of our Kunshan Tingshe Distributed Products and may continue such arrangement in the future.

Li Ting was one of the key founders of the distribution channel of *MODONG* coffee through her involvement with us in establishing the distribution network. During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting, a key personnel of Kunshan Tingshe, for distribution of our Kunshan Tingshe Distributed Products. We engaged Kunshan Tingshe, which is mainly conducted by Li Ting and her team, to help manage our distributors and the sub-distributors and conduct product promotion so we can quickly expand the distribution network after the launch of *MODONG* coffee. For more details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe” in this prospectus.

Given Li Ting was the key personnel of Kunshan Tingshe, we rely on Li Ting to manage our distributors and the sub-distributors procured by our distributors.

To the best of our Directors’ knowledge and belief, many of our distributors and their sub-distributors consider Li Ting as a respectful leader in the new retail distribution network. Even though the required procedure to effect the change of distribution agent would not be time consuming as Kunshan Tingshe can unilaterally novate its rights and obligations under the distribution agreements entered into between Kunshan Tingshe and each of the Group’s distributors without obtaining the prior consent of the distributors, if Li Ting ceases to act as our distributor, or in any way ceases her involvement in our distribution network, we may not be able to maintain our relationships with the distributors and sub-distributors as the distributors and sub-distributors may not be willing to continue act as the Group’s distributors and sub-distributors. In addition, we may not be able to secure a suitable individual that has similar or better experience than Li Ting as replacement in a timely manner, or at all. Even if we secure a replacement, certain distributors may still opt not to continue the distribution arrangement with us. In such case, our business, financial condition and results of operations could be materially and adversely affected.

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We may be exposed to credit risks in relation to trade and other receivables.

During the Track Record Period, our trade receivables mainly represented amounts receivable from our customers of the IP creation and operation business and other receivables mainly comprised amounts due from related parties and amounts due from or loan provided to third parties. As at December 31, 2019, 2020, 2021 and 2022, our trade receivables balance of our Group's trade receivables (after provision for impairment) amounted to RMB252,000, RMB40.2 million, RMB26.1 million and RMB38.1 million, respectively; and our other receivables balance (after provision for impairment) amounted to RMB39.4 million, RMB32.0 million, RMB26.5 million and RMB23.0 million, respectively. In 2021, we had written off other receivables of RMB3.0 million in relation to a loan provided to our ex-marketing agency. We could not guarantee that we can successfully collect any or all debts due to us, and any failure on the part of our customers or debtors to settle or settle on time the amounts due to us may adversely affect our Group's financial condition and operating cash flows. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than historic levels, which could adversely affect our business, results of operations and financial condition.

The relevant rules and regulations on social e-commerce in China are still under development and subject to interpretation, and their implementation involves uncertainty.

Social e-commerce business is relatively new in the PRC and the relevant rules and regulations are still in the process of development. Such rules and regulations are subject to the interpretation of the competent authorities of various jurisdictions in their implementation, which involves uncertainty. For example, there were various incidents in the past when the Regulation on the Prohibition of Pyramid Selling was used as the regulatory basis for disciplinary actions on social e-commerce companies by local government authorities. The relevant PRC authorities, including regional and local governments, have broad discretion on regulations of social e-commerce activities, and have the authority to impose sanctions thereon, including but not limited to, temporary freezing of bank accounts, levying fines, confiscating income or suspending operations. Any unfavorable new regulatory interpretation and implementation could have a material adverse effect on our business, financial condition, results of operations and prospects.

In particular, we operate under a novel sales model in which our end consumers are often procured through social media, such as followers to PDT centered around our unique celebrity IPs. Many of our distributors and the sub-distributors are themselves consumers of our products first. It is necessary for our management and sales and marketing staff to spend significant time and resources to educate the public, including competent authorities and end consumers, in relation to our novel business model. Misunderstanding of our business model by competent authorities or end consumers could result in negative publicity and potential regulatory sanctions and adverse impact on our operations. For example, we were subject to two incidents of temporary account freeze initiated by certain local government authorities in 2020 and 2021, respectively. We were able to have both account freezes unconditionally released after reporting to Kunshan AMR which issued the Inspection Opinions on our business activities. We

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implemented certain measures to reduce the risk of future similar regulatory actions, but we could not assure you that we would not be subject to similar regulatory actions by other local government authorities, which could have material adverse effect on our business, financial condition, results of operations and prospects if such actions result in punitive measures or sanctions. For more details, please refer to the section headed “Business – Distribution network – Distribution Agent Assisted Distribution Model – The Temporary Suspension of Bank Accounts due to alleged pyramid selling” in this prospectus.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market.

We rely on intellectual property laws in the PRC and other jurisdictions to protect our brands and trademarks. During the Track Record Period, we were subject to counterfeiting and imitation by external parties that manufactured and marketed their products under brand names and trademarks that highly resembled ours. We are actively taking measures to prevent counterfeit products and infringement of our intellectual property rights. For more details, please refer to the section headed “Business – Counterfeit products” in this prospectus. However, we cannot assure you that such counterfeiting, forgery or imitation of our products, trademarks or brands in the market will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Such counterfeit or forged products are usually difficult to detect or ban in a timely manner. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to the loss of consumers’ confidence in our brand.

Despite that we are dedicated to fight against counterfeit goods by constantly monitoring various social e-commerce platforms and report to the relevant regulatory authorities once we detect any infringements or misappropriations towards our products. Regardless, these efforts may not be sufficient and effective to protect our brand and intellectual property rights, which in turn, could damage our reputation and consumers’ perception towards our products’ quality as a result. In addition, litigations to prosecute infringements upon our rights and products will be expensive and will divert the management’s attention as well as other resources away from our business. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Recent government initiatives to further regulate the entertainment industry may have negative impact on our business operations centered around our unique celebrity IP.

We rely on our unique celebrity IPs and the related IP contents to empower our new retail business by creating promotional effect. The current and future celebrities we collaborate with may be active in the entertainment industry. Many of the media contents and large scale events we planned in our IP creation and operation are entertainment contents. As such, our business are affected by the relevant rules and regulations on the entertainment industry. For example, on

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September 2, 2021 the National Radio and Television Administration (國家廣播電視總局) issued The Notice on Further Enhancing Regulation on Entertainment Contents and Industry Participants (《關於進一步加強文藝節目及其人員管理的通知》). The notice prohibits, among other things, certain formats of media contents and business practices as well as provides generic qualification requirements for entertainment industry participants. It is not yet clear how such notice will be implemented and what impact it will have on the entertainment industry as a whole. To the extent such notice or any future rules and regulations on the entertainment industry negatively affect the public reception or exposure of our unique celebrity IPs or limit the contents or venue of the media contents and events we planned, we may not be able to promote our products in association with such unique celebrity IPs or related contents in our new retail business or generate revenue based on such unique celebrity IPs in our IP creation and operation business, which in turn may have material adverse effect on our financial position and results of operations.

The licensing of our intellectual property rights is subject to certain contractual limitations, and any disputes or disagreements arising between us and the joint owner of such rights could negatively impact our sales and prospects, which lead to the decline in our business profitability.

Our health management product *MODONG* coffee is marketed with our proprietary “*ChouMate*” trademarks. Additionally, we also engaged in the production of the reality show “*J-Style Trip* season one”, which we aim to integrate both intellectual property licensing of celebrities and commercial programs in order to expand our consumer base and strengthen our brand awareness.

We are one of the two co-owners of the “*ChouMate*” trademarks and our usage of these trademarks is subject to JVR Music’s approval. For instance, we could not license the intellectual property rights of “*ChouMate*” to any third-party without the prior approval of JVR Music. For more details, please refer to the section headed “Business – Intellectual property” in this prospectus. We diversified our celebrities portfolio during the Track Record Period. As at the Latest Practicable Date, we were under negotiation with other celebrities for cooperation regarding creation and development of celebrity IPs. In the event any of these cooperation materializes, our rights to the relevant celebrity IPs are subject to terms of agreement to be entered into between us and the relevant celebrity. If any disputes or disagreements arise between us, and we are not able to reach a consensus, we might not be able to use the celebrity IPs in question, such as “*ChouMate* (周同學)”, or license the intellectual property as we intended, or at all, which could lead to the decline in sales, and adversely affect our business prospects and financial results. Please also refer to the paragraphs headed “If we are unable to obtain, maintain and adequately protect our intellectual property rights, especially the trademarks, copyrights and domain names that we use in connection with our products, our ability to operate and compete could be compromised, thus adversely affects our business, financial condition and results of operations” and “Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, copyrights and proprietary rights of other parties, which may be expensive to defend and disrupt our business and operations” in this section.

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If we are unable to obtain, maintain and adequately protect our intellectual property rights, especially the trademarks, copyrights and domain names that we use in connection with our products, our ability to operate and compete could be compromised, thus adversely affects our business, financial condition and results of operations.

Intellectual property licensing is crucial to our business operations and brand building. As of the Latest Practicable Date, our Group registered 1,160 trademarks and 155 copyrights in the PRC (including software copyrights in the PRC), and we were also applying and undergoing the registrations of other intellectual property rights. Our copyrights, trademarks and domain names are unique and valuable assets that support our brand and help to elevate public's perception of our products. In addition, we generate a portion of our revenue from IP licensing operations. Our intellectual properties are unique and key assets of our Group. The sales and marketing for our products depend to a significant extent on the brand and other intellectual properties associated with our products.

There can be no assurances with respect to the nature and scope of rights associated with intellectual properties in different countries, including our ability to use, maintain or defend key trademarks and copyrights. To the extent possible, we rely on trademarks, copyrights, patents and trade secret laws, as well as confidentiality procedures or other contractual restrictions of the same or similar nature, to establish and protect our intellectual property or other proprietary rights. However, these laws, procedures and restrictions may provide only limited and uncertain protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated, including by counterfeiters. In addition, our intellectual property portfolio in many jurisdictions other than the PRC is less extensive than our portfolio in the PRC, and the laws of the other jurisdictions other than the PRC, may not protect our intellectual property rights to the same extent as the laws of the PRC. The costs required to protect our trademarks and copyrights may be substantial.

We may fail to apply for protection for certain aspects of the intellectual properties used in or beneficial to our business. Furthermore, we cannot provide assurance that our applications for trademarks, copyrights and other intellectual property rights will be granted, or, if granted, will provide sound and effective protections. In addition, third parties have in the past and could in the future bring infringement, invalidity or similar claims with respect to any of our intellectual properties. Any such claims, whether or not successful, could be extremely costly to defend, divert management's attention and resources, damage our reputation and brands, and substantially harm our business and results of operations.

Any lawsuits or proceedings that we initiate could be cost and time-consuming. Litigations and other proceedings also put our intellectual property at risk of being invalidated, or result in the scope of our intellectual property rights being narrowed. In addition, our efforts to try to protect and defend our trademarks and copyrights and other intellectual properties may be ineffective. Additionally, we may provoke third parties to assert claims against us. We may not prevail in any lawsuits or other proceedings that we initiated, and the damages or other remedies awarded, if any, may not be commercially valuable.

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The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

We rely on our distributors, the sub-distributors and the consumer community culture for the sales of our products.

We rely on our distributors to distribute our products to end consumers and the sub-distributors. As of December 31, 2022, our distribution network consisted of 742 distributors and 16,044 sub-distributors.

We have no ownership or managerial control over any of our third-party distributors. Due to the large number of our distributors and the sub-distributors, it is difficult for us to closely monitor all aspects of their practices. We cannot assure you that all our distributors and the sub-distributors will comply with and perform their contractual obligations. In addition, there may be instances when these distributors carry out or omit actions, which are not consistent with our business strategy, such as failing to participate in our marketing and promotional activities. If any of our distributors fails to perform in accordance with the terms of the respective distribution agreements, or at all, our brand image and end consumer relationship may be adversely affected.

We believe that maintaining and promoting a community culture that involves our KOC distributors is crucial for us to expand our consumer base and promote brand awareness. Towards that end, we have various professional trainings in place to ensure that our distributors keep pace with the latest industry trends and possess the sufficient knowledge of our products and brand to advertise and sell our products. For more details related to the distribution network, please refer to the section headed “Business – Distribution network” in this prospectus. Nevertheless, despite our efforts, we may be unable to maintain our community culture. For instance, conflicts could arise among our distributors, the sub-distributors and end consumers and any inflammatory/inappropriate comments posted on any social media platforms may damage our community culture and brand reputation, which in turn would be detrimental to our business prospects and results of operations.

In addition, we may not be able to successfully manage our distributors and the sub-distributors, and the cost of any consolidation or further expansion of our distribution network may exceed the revenue generated from these efforts. There can be no assurance that we or Kunshan Tingshe will be successful in detecting any non-compliance of our distributors with provisions of the respective distribution agreements. Non-compliance by our distributors and the sub-distributors could negatively affect our brand reputation and disrupt our sales. Furthermore, if the sales volumes of our products sold to consumers are not maintained at a satisfactory level or if our distribution orders fail to track consumers’ demand, our distributors may not place any new orders from us, they may also decrease the quantity of their regular orders or ask for a discounted price. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial conditions and results of operations.

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Furthermore, our ability to accurately track the sales of our products and the inventory level of our distributors is limited. Our sales to distributors may not be reflective of the actual sales trends to the end consumers, and we may not be able to timely gather sufficient information and data regarding the market demand and consumers' preferences for our products. Failure to accurately track the sales and inventory levels of our distributors and timely gather market information may cause us to incorrectly predict sales trends and impede us to quickly align our marketing and product strategies in response to market changes.

As a new retail company with a focus on social media and unique celebrity intellectual properties (明星IP社交電商), our success is dependent on the continued popularity of our products and our ability to anticipate and respond to changes in industry trends, consumer preferences and behavior in a timely manner.

The success of our business and operations depends on our ability to continuously offer quality products that are attractive to the end consumers. The new retail industry is driven in part by entertainment, health and beauty trends as well as consumer preferences and behavior, which may shift quickly and have been vastly affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As industry trends and consumers' preferences and behavior continue to change, we must also continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, achieve a favorable mix of products, expand the scope and scale of our intellectual property licensing with different celebrities, and refine our approach as to how and where we market and sell our products.

Our success depends on our products' appeal to a broad range of consumers whose preferences and behavior cannot be predicted with certainty and may change rapidly, and on our ability to anticipate and respond in a timely and cost-effective manner to industry trends, consumer preferences and behavior through product innovations, product line extensions and marketing and promotional activities, among other things. We cannot assure you that we will be able to successfully anticipate and respond to consumers' preferences and behavior at all times, especially as we continue to broaden our customer base and diversify our product offerings aimed at customers with different characteristics. If we are unable to anticipate and respond to the changes in industry trends, consumer preferences and behavior, we may fail to continuously develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for our existing products, or properly predict and manage our inventory. Such failure could also negatively impact our brand image and result in the diminishing of customer experiences and brand loyalty. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

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Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee.

The formula of *MODONG* coffee is co-developed by us and Hengmei Group, which is currently our sole supplier for the product. Hengmei Group is in possession of the formula and technology know-hows for the purpose of manufacturing the product. We also rely on Hengmei Group to procure the raw materials and ingredients of *MODONG* coffee. We entered into a strategic cooperation agreement with Hengmei Group. For more details, please refer to the section headed “Business – Suppliers – Selection and management of supplier – Our relationship with Hengmei Group” in this prospectus. We cannot assure you that our sole supplier for *MODONG* coffee will continue to maintain business relationship with us by renewing the contracts at the same terms or terms acceptable to us upon expiry thereof, or even maintain such business relationship with us at all. Our reliance on our sole supplier for the production of *MODONG* coffee could have a material adverse impact on our business in the event of any shortage of, or failure or delay in the supply. Additionally, if the sole supplier terminates or refuses to renew a contract with us or fails to fulfill their contractual obligations regarding the production of *MODONG* coffee, we may not be able to secure any suitable alternative suppliers as replacement on terms acceptable to us in a timely manner, or at all. As a result, our production might experience critical disruptions, which in turn will have an adverse impact on our reputation, business prospects and results of operations. Further, even if we are able to replace our sole supplier with alternative suppliers, the costs and resources devoted to seeking for new business partner could be significant and onerous to our business operations and financial condition. For further details, please refer to the section headed “Business – Suppliers” in this prospectus.

If our health management products are not effective in enabling consumers in achieving their respective goals from consumption thereof, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

During the Track Record period, we generated substantial majority of our sales revenue for our new retail business from health management products. We sold multiple health management products, mainly under *MODONG* brand and *Dr. INYOU* brand. Our health management products focus on the concept ketogenic diet, where these products are regarded as health management food and beverages as they can be consumed (i) as meal replacements for consumers who are on low-carb diets; and (ii) for weight management, as their ingredients consists of healthy elements such as ketogenic, low-carb high-protein, high dietary fibers, vitamins, and prebiotics. For details of the product features of our major health management products, please refer to “Business – Our business – New retail business – Health management products” in this prospectus.

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The effectiveness of our health management products are critical to the success of our business. In particular, there has been a great demand in *MODONG* coffee mainly due to the fact that our *MODONG* coffee were well-received by our end consumers. Thus, in the event that our health management products no longer have effective features that enable consumers in achieving their respective goals from consumption thereof, the demand in our health management products may decrease and it could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our expansion into new product lines or categories may expose us to new challenges and more risks. If our new product introduction is not as successful as we anticipated, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

The fast-evolving entertainment and health management trends together with the consumer preferences have shortened the life cycles of our products and required us to continually work to develop, produce and market new products, maintain and enhance the recognition of our brands and shorten our product development and supply chain cycles. Our continued success depends on our ability to develop and launch products in a timely and cost-effective manner in response to industry trends and consumer preferences. We have a pipeline of new low-carb food and drinks and skincare products that are targeted in the near future. For more details, please refer to the section headed “Business – Our strategies and future plans – Further diversify our product portfolio through product development” in this prospectus. If we do not successfully and consistently develop new products that appeal to our customers, our net revenues and margins could suffer.

Each new product launch involves risks, as well as the possibility of unexpected consequences. For instance, the acceptance of new product launches and sales to our customers may not be as high as we anticipated, due to a lack of acceptance of the products themselves or their price, or the limited effectiveness of our marketing strategies. Introduction of new products targeted at expanding our product reach beyond our current customer base may not be as successful as we anticipated due to the insufficient data insights on and understanding about the preferences, trends and behaviors of such new customer groups. Our ability to launch new products may be limited by delays or difficulties affecting the ability of our suppliers or manufacturers to timely manufacture new products. In addition, we may experience a decrease in the sales of certain existing products as a result of newly launched products.

Also, product innovation may place a strain on our employees and our financial resources, including incurring expenses in connection with the product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. Further, sales of new products may be affected by the efficacy of our inventory management and quality of delivery and order fulfillment services provided by our logistics providers, and we may experience product shortages, delay, defective or improper product delivery. Any of these occurrences could delay or impede our ability to achieve our sales objectives, which could have a material adverse effect on our business, financial condition and results of operations.

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The new retail industry is relatively new with an evolving business model. If our new business model fails to generate or increase its revenue at the expected level and pace, our overall growth and profitability would be adversely affected.

The new retail industry is relatively new and constantly evolving. To cater to such changes in the industry, it is important that we keep ourselves up-to-date with market trends and adapt accordingly by developing or implementing the latest business models into our products and/or distribution channels on a timely basis. On the other hand, responding and adapting to an ever changing industry may require us to invest substantial resources, time and capital, and we may not be able to integrate the results of our market research to our business operations in a timely manner to take advantage of the market opportunities available.

If we are unable to keep up with changes in the industry and end consumers' purchasing patterns in the future, our ability to expand our customer base and business may be adversely affected and we may lose our distributors, end consumers and other business opportunities to our competitors. There can be no assurance that we will be able to sufficiently and promptly respond to changes in the industry, and all of the above may ultimately affect our business, financial condition, results of operations and prospects adversely.

Future expansion and acquisition plans are subject to uncertainties and risks.

We have set out our future plans in the section headed "Future plans and use of proceeds" in this prospectus. Whether our future plans can be implemented successfully may be beyond our control and some future events may affect the smooth running of the expansion plan, such as change in costs related to the changes in compliance with the laws, rules and regulations, delays in obtaining the necessary licenses and approvals from the government.

In the future, we may decide to enter into new distribution channels or markets or selectively pursue strategic acquisitions or investments in new markets. We may have limited or no relevant experience to operate in new distribution channels or markets that have legal and regulatory frameworks, competitive landscapes and customer preferences different from our existing distribution channels or markets. We may not be familiar with the customer preference of the new distribution channels and as such, we may fail to attract a sufficient number of end consumers to achieve profitability.

There is no assurance that we will be successful in our expansion plans and materialize the acquisitions. If we fail to project accurately the time, labor and costs required for implementing our expansion plans, or if we fail to comply with the new regulatory requirements of new distribution channels or secure sufficient amount of sales order or at all after the expansion, our business and results of operation may be adversely affected.

In addition, we may consider strategically acquiring other companies, businesses, assets or technologies that are complementary to our business and operations as part of our growth strategy. The strategic acquisition and subsequent integration of new businesses is likely to require significant managerial and financial resources and could result in a diversion of

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resources from our existing business, which in turn could have an adverse effect on our growth and business operations. Acquired businesses or assets may not generate the financial results we expect and may be loss making over time. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations may be materially and adversely affected by the outbreak of COVID-19 pandemic.

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. Demands for consumer goods were significantly affected. According to the National Bureau of Statistics, China's total retail sales of consumer goods decreased by approximately 19.0% in the first quarter of 2020 compared with the same period of 2019. The PRC government and other governments across the world have implemented strict measures to control such outbreak. While our supply partners and other service partners had to operate at a reduced capacity during such period, we were able to maintain sufficient levels of inventory and fulfillment capacity through our warehouses.

Nevertheless, our revenue was adversely affected during 2022, mainly due to the large-scale regional static management control measures imposed by the local government in view of the resurgence of COVID-19 pandemic in 2022. Even though, many of the quarantine measures within China have since been relaxed as of the date of this prospectus, we cannot predict when the COVID-19 pandemic will become completely under control and we cannot guarantee that the COVID-19 pandemic will not worsen. If the spread of the disease is not alleviated and contained in the foreseeable future, we may face a shortage of raw materials for our products and difficulties of producing new seasons of our *J-Style Trip* as well as our ability to plan new concerts or other large-scale public events. As a result, our business operations and financial results could be adversely affected, as evidenced by the decrease in our revenue for the year ended December 31, 2022. If the situation materially deteriorates in China or globally, our business, results of operations and financial condition could be materially and adversely affected as a result of the changes in the outlook of the industry, or any slowdown in the economic growth, negative business sentiment or other factors that we cannot foresee. For details regarding impact of the Resurgence of COVID-19 on our Group, please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this prospectus.

Social media based new retail industry is highly competitive. If we are unable to compete effectively with existing or new competitors, we may lose our market share, and our business, results of operations and financial condition may be materially and adversely affected.

The new retail industry is, and will continue to be, highly competitive. We primarily compete with social e-commerce focused new retail companies. Competition in our industry is intense and based on multiple factors, including the ability to launch new products, pricing of products, quality of products and packaging, brand awareness, perceived value and quality, innovation, offline sales capabilities, customers' functional and emotional satisfaction, promotional activities, advertising, editorials, e-commerce and mobile-commerce initiatives and other activities.

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Our competitors may have significantly more financial, technical, marketing and other resources than we have, and may devote greater resources to develop, promote and support their products. In addition, they may have more extensive industry relationships, longer operating histories and greater brand recognitions than we have. Despite our differentiated business model, existing and new players in the industry may also transform their business model and directly compete with us. They may also roll out products targeting young generations at a customer-friendly price or adopt a price-cutting strategy for their current products to directly compete with us. As a result, these competitors may respond more quickly to consumer tastes and trends, seeking ideas which will appeal to consumers and introducing new products that compete with our products for consumer acceptance and adopt new technologies. It is difficult for us to predict the timing and scale of our competitors' activities in these areas or whether new competitors will emerge in our industry. In addition, further technological breakthroughs, including new and enhanced technologies which increase competitions in the online retail market, new product offerings by competitors and the strength and success of our competitors' marketing programs may impede our growth and the implementation of our business strategies.

Our ability to compete also depends on the continued strength of our brand and products, our ability to predict and capture industry trends and consumer preferences, the success of our marketing, innovation and execution strategies, the continued diversification of our product offerings, the successful management of our new product introductions and innovations, strong operational executions, including order fulfillment and supply chain management, and our success in entering new markets and expanding our business in existing geographies. If we are unable to continue to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected.

We had recorded net cash outflow from operating activities in the year ended December 31, 2021.

For the year ended December 31, 2021, we had net cash flows outflowed from operating activities of RMB9.3 million. The net cash outflow from operating activities for the year ended December 31, 2021 is primarily attributable to the income tax payment of RMB50.0 million. We cannot assure you that net cash outflows from operating activities will not occur in the future as a result of other factors or developments. For further details on our liquidity position, please refer to the section headed "Financial information – Liquidity and capital resources" in this prospectus.

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Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, copyrights and proprietary rights of other parties, which may be expensive to defend and disrupt our business and operations.

Our commercial success depends in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights, trade secrets and other proprietary rights of others. We have adopted and implemented internal procedures and licensing practices to prevent unauthorized use of such intellectual properties or the infringement by us of other rights of the third parties. However, we cannot be certain that these measures can be effective in completely preventing all possible infringements, misappropriations and other violations of third-party's intellectual property rights or other rights during the course of our business. As we face increasing competitions and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights which held by third parties. This is especially the case as our sales and marketing activities may use photos or video clips that contain portraits of individuals and shows performed by others such as recorded product promotion Livestreaming held by our cooperating celebrities and KOLs. We cannot rule out the possibility that some of these photos or videos are not properly authorized by the relevant performers and/or proprietary right holders, which may expose us to potential liabilities for infringement of portrait rights or rights to network dissemination of information under the PRC laws. There could also be existing intellectual property of which we are not aware of that our operations and business may inadvertently infringe upon.

Furthermore, our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement of other rights of third parties by us and/or our employees. We may receive claims by third parties that we and/or our employees have infringed or otherwise violated their software copyrights. We license and use software and other technologies from third parties in our ordinary course of business. These third-party software or technology licenses may not continue to be available to us on acceptable terms or at all, and may expose us to potential infringement liabilities. Any such liabilities, or our inability to use any of these third-party software or technologies on acceptable terms or at all, could harm our reputation, result in increased operating costs, and/or disruptions to our business that may materially and adversely affect our operations and financial results.

We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. Also, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States. If a claim of infringement brought against us in China, the United States or another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all

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or be subject to injunctions or court orders. Even if the allegations or claims lack merit, defending against them could be both costly and time consuming and could significantly divert the efforts and resources of our management and other personnel.

Competitors and other third parties may claim as well that our officers or employees or our suppliers have infringed, misappropriated or otherwise violated their product formulas, confidential information, trade secrets or other proprietary information or technology in the course of their employment with us or in their designing and manufacturing products for us, as the case may be. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers, employees or suppliers, we cannot guarantee that our internal intellectual property policies, any other policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or against one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to suspend the sales of our products or to remit to the plaintiff the revenues that we derive from the sales, any of which could adversely affect our business, financial condition and results of operations.

Product quality is crucial to our business. Failure to maintain the quality, safety and effectiveness of the products could harm our reputation, adversely affect our financial condition and results of operations.

Any loss of confidence on the part of consumers in the ingredients used in our products, whether related to product contamination or product safety or quality failures, actual or perceived, or inclusion of prohibited or restricted ingredients or improper mixture of ingredients, could tarnish the image of our brands and could cause consumers to choose other products. Allegations of contamination or other adverse effects on the product safety or suitability for use by a particular consumer, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in the suspension of sales or a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our profitability and brand image.

If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with the consumers could suffer, the appeal of our brands could be harmed, thus we may need to recall some of our products and/or become subject to regulatory actions, and we could lose sales or market share or become subject to liability claims. In addition, safety or other defects in our competitors' products could reduce consumers' demand for our own products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on our business, financial condition and results of operations. For more details, please refer to the section headed "Business – Quality control" in this prospectus.

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We outsource our product manufacturing to third-party manufacturers. The limited control that we have over the process may present risks to our business, and any failure in the product quality control could adversely affect our reputation, business prospects and results of operations.

In addition to Hengmei Group, we also use third-party manufacturers to manufacture our other products, our ability to grow revenues in the future will depend in part on our success in maintaining successful relationships with our manufacturing partners. As a result, the loss or unavailability of one of our major manufacturers or factories, even temporarily, could have a negative impact on our business, financial condition and results of operations. While we believe that we have the ability to replace our manufacturers if necessary, any such move may be time-consuming and costly. We believe manufacturing for us would generally take a significant percentage of the total capacity of each factory that we work with, and therefore establishing relationships with new manufacturers and having them work on similar terms with matching quality may be challenging. We may also be required to seek out additional manufacturers in response to increased demand for our products, as our current manufacturers may not have the capacity to increase production. If we fail to receive a material portion of the products made by our manufacturers, or if we fail to shift manufacturers, our sales and profitability could be significantly reduced.

We have implemented a quality control system in relation to the manufacturing process of our products. For further details, please refer to the section headed “Business – Quality control” in this prospectus. Nevertheless, we may not have effective control over whether our manufacturers would strictly follow our specifications and instructions. There is always a risk that one or more of our third-party manufacturers will not comply with our requirements, and that we may not be able to discover such non-compliance immediately or at all. As such, the use of third-party manufacturers may expose us to product liability claims, administration penalties, confiscation or the destruction of certain products and their revenue, the revocation of business license, or the imposition of other administrative or criminal liabilities. If defective products are manufactured and sold, it would damage our reputation, lead to product recall, consumer litigations and other unfavorable outcome that could materially and adversely affect our business.

Additionally, we cannot assure you that they do not ever and will not deviate from their covenants. Any leakage, plagiarism or disclosure of the formulas for manufacturing our products could be detrimental to our business prospects and results of operations. In the event they violate confidentiality agreements with other parties when developing formulas for us, we could be negatively affected.

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If we fail to comply with the constantly evolving product safety laws, regulations and standards, or our products otherwise are defective, we may be required to recall products and may face penalties and product liability claims, either of which could damage our reputation, result in unexpected costs and adversely affect our financial condition and results of operations.

The manufacturing, distribution and packaging of our products and their components, ingredients and raw materials are subject to complex product safety-related laws, regulations and national and industrial standards. Please refer to the section headed “Regulatory overview – PRC laws and regulations” in this prospectus. To comply with and promote product safety, we have assigned quality inspectors to be responsible for the production inspection, product sampling and quality issues resolution. We also cooperate with third-party international testing centers to continually oversee the quality, safety of our products and conduct sampling check from time to time. In addition, we closely work with our counsel on the development in laws, regulations and standards applicable to our business. However, as these laws, regulations and standards are relatively new and their interpretations and implementations have been constantly evolving, we cannot assure you that the competent authorities will always hold the same view as our counsel team does in terms of the compliance of our business operations.

We currently outsource our product manufacturing to third party suppliers, and in many cases rely on them to procure raw materials, components and ingredients. Thus, we do not have sufficient control over the raw material procurement and manufacturing process and thus cannot be sure that all the suppliers of raw materials, components and ingredients chosen by our contract manufacturers would have met our standards and expectations and been selected by us had we done the procurement ourselves, neither could we guarantee that no contaminations, defects or other safety issues would happen with respect to the raw materials, components and ingredients or during the manufacturing process.

Our exposure to product liability risks may increase as our manufacturing and sales volume increases. The situation is further complicated by the fact that a product may be safe for the general population when used as directed but could cause an adverse reaction for a person who has a health condition or allergies, or who is taking a prescription medication. While we include what we believe are adequate instructions and warnings, previously unknown adverse reactions could occur. If we discover that any of our products are causing adverse reactions, we could suffer adverse publicity or administrative sanctions. If any batch of our products contain contaminants, fail to meet the national safety standards or otherwise has defects or safety issues, we may need to suspend the sale or, in severe cases, order recalls of such batch or all of the products in question.

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To manage and mitigate any environmental, social and governance risks, we may incur additional costs and expenses, which may materially and adversely affect our financial performance.

To manage and mitigate any environmental, social and corporate governance risks that we may identify, and to better fulfill our social responsibilities, we may incur additional costs and expenses which may adversely and materially affect our financial performance. For instance, as we aim to gradually switch to using more environmentally-friendly packaging materials in our product delivery, which are usually more costly, expenses in relation to packaging may increase. Moreover, our operating costs may increase as we may consider adopting measures to strengthen our workplace safety. For further details on our policies and visions in environmental, social and governance, please see the section headed “Business – Environmental, social and governance” in this prospectus.

If the contents contained in videos, live broadcasting and other content formats published by us or celebrities or KOLs that we collaborate with are deemed to violate any PRC laws or regulations or are considered inappropriate, or there is any changes in the applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government and regulatory authorities have adopted regulations governing contents contained within videos, live broadcasting and other information over the Internet and Livestreaming marketing. Under these regulations, Internet content providers are prohibited from posting or displaying contents that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or promotes counterfeit or substandard goods. We will closely monitor the contents that are provided in the videos and Livestreaming marketing activities conduct by celebrities and KOLs that we collaborate with. However, as the number of celebrities and KOLs that we collaborate with increases after Listing, there can be no assurance that we can identify all the videos or other content that may violate relevant laws and regulations in a timely manner, or at all.

Failure to identify and prevent illegal or inappropriate content from being disseminated may subject us to liability as a service provider for E-commerce Livestreaming. In addition, PRC laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in our liability as a service provider for E-commerce Livestreaming. Our financial position and results of operations might be materially and adversely affected by any decision by end consumers or our customers to reduce their purchase as a result of adverse media reports, complaints or other negative publicity involving us.

Further, laws and regulations concerning Livestreaming and influences in the PRC are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. Therefore, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of the applicable laws and regulations. In addition, if new requirements are imposed by any new laws and regulations in the future, we may not be able to continue our collaboration with celebrities and KOL/KOCs in the promotion of our products.

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Our success is critically dependent on the efforts and dedication of our senior management and key employees and officers, and the loss of one or more key employees, or our inability to attract and retain qualified personnel and maintain our corporate culture, could adversely affect our business and the results of operations.

Our success depends on the continued and collaborative efforts of our senior management and key employees. If our senior management cannot work together effectively or efficiently, our business may be severely disrupted. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competitions for management and key personnel are intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future.

Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service employees. Qualified individuals are in high demand and competition for talents could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation, we may not be able to successfully attract, assimilate or retain the personnel that we need to succeed.

If any of our executive officers or employees joins a competitor or forms a competing business, they may divulge business secrets, know-how, customer lists and other valuable resources. Our senior management and key employees have entered into employment agreements, confidentiality and non-competition agreements with us. However, if any dispute arises among any of them and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce such agreements at all. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

We have devoted significant efforts and invested much capital in a wide variety of sales and marketing activities, including advertising and promotions to expand our consumer base through multiple channels. If we are unable to conduct our sales and marketing efforts in a cost-effective and efficient manner, our results of operations and financial conditions may be materially and adversely affected.

We have invested, and will continue to invest, a large amount of financial and other resources in promoting our brand awareness and acquiring customers, including expanding our marketing and sales teams, purchasing advertisements and planning big music showcases and concerts for celebrities. For the years ended December 31, 2019, 2020, 2021 and 2022, we incurred selling and marketing expenses of RMB14.4 million, RMB94.9 million, RMB93.8 million and RMB72.4 million, accounting for 16.6%, 20.8%, 25.7% and 21.1% of our total revenue, respectively.

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Our marketing and branding activities may not be well received, successful or cost-effective, which may lead to significantly higher marketing expenses in the future. We may also not be able to continue our existing marketing and branding activities, or successfully identify and utilize the new trends in marketing strategies, channels and approaches that appeal to or fit in the lifestyle of our targeted customers. We may also fail to adjust our sales and marketing strategies fast enough to synchronize with consumers' behavioral changes in using the Internet and mobile devices. Failure to engage in sales and marketing activities in a cost-effective manner and failure to achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and materially harm our business, financial condition and results of operations.

In addition, failure to comply with the relevant provisions of Advertising Law of the PRC (《中華人民共和國廣告法》), which promulgated by the SCNPC in 1994 and amended on October 26, 2018, the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), which promulgated by the State Council on June 16, 2020 and which will become effective from January 1, 2021, and other relevant laws and regulations will result in the restrictions, inhibitions or delay of our ability to sell products. For more details, please refer to the section headed "Regulatory overview – PRC laws and regulations" in this prospectus.

We may be adversely affected by the evolving PRC regulatory development on marketing activities carried out by celebrities.

We have created and operated a portfolio of various forms of proprietary IPs, and our unique celebrity IPs empower our product branding. We believe one of the sales and marketing strategies that distinguishes us from other market participants is our focus on, and ability to, utilize PDT to monetize our unique celebrity IPs to quickly procure loyal customers, as the association with celebrities, such as Mr. Jay Chou, Mr. Liu Keng-hung and Ms. Vivy Wang, with our products can enhance visibility and affinity to such products.

There has been evolving PRC regulatory development on marketing activities carried out by celebrities where the competent government authorities have taken initiatives to tighten regulation on the PRC entertainment industry. For example, Strengthening Regulations was promulgated in 2021 which targets the aggressive "Fan Trap" ("飯圈" practice for ill-gained profit). For details, please refer to the sections headed "Regulatory overview – PRC laws and regulations – Regulations in relation to strengthening the regulation of entertainment industry" and "Regulatory overview – PRC laws and regulations – Regulations in relation to online Livestreaming marketing" in this prospectus. These celebrities marketing-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of the applicable laws and regulations. Moreover, the adoption and application of additional laws or regulations to our business may heighten the requirements for us to conduct our operations, which could in turn, increase our cost of doing business, disrupt our operations and impede our development or growth.

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We cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with the applicable laws and regulations. In the event that we must remedy any violations, we may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party service providers for logistics services. If these service providers fail to provide reliable delivery services, our business and reputation may be adversely affected.

We rely on third-party couriers and logistics providers for order fulfillment and delivery services, including, among others, collection of products, warehousing services, shipping products to our customers, our designated warehouses and handling product returns. While these arrangements allow us to focus on our main business, they reduce our direct control over the logistics services provided to our customers. Logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons, including events that are beyond our control or the control of these service providers, such as inclement weather, natural and man-made disasters, health epidemics, information technology system failures, transportation disruptions, labor unrest, commercial disputes, military actions or economic, business, environmental, public health, or political issues.

In addition, if our third-party logistics service providers fail to comply with the applicable rules and regulations in China, our delivery services may be materially and adversely affected. If any of our service providers' operations or services are disrupted or terminated, we may not be able to find alternative qualified service providers and on commercial terms to our satisfaction in a timely and reliable manner, or at all. Furthermore, delivery personnel of the contracted third-party logistics service providers act on our behalf and interact with our customers personally. We need to effectively manage these third-party logistics service providers to ensure the quality of our customer services. If our products are not delivered in proper conditions or in a timely manner or there is any other failure to provide high-quality delivery services to our customers, our products may be compromised, customer experience may be impaired and, as a result, our business and reputation could suffer. Further, if our logistics providers raise their fee rate, we may incur additional costs and may not be able to pass such costs to our customers.

Our success depends in part on our ability to successfully manage our inventories. We may face the risk of inventory obsolescence.

We must maintain sufficient inventory levels to operate our business successfully, but we must also avoid accumulating excess inventory, which increases working capital needs and lowers gross margin. We obtain substantially all of our inventory from third-party manufacturers and must typically order products in advance of the time these products will be offered for sale to our customers. As a result, it may be difficult to respond to changes in consumers' preferences and market conditions, which for health and beauty products can change rapidly. If we do not accurately anticipate the popularity of certain products, then we may not have sufficient inventory to meet the demand. Alternatively, if demand or future sales do not reach our

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forecasted levels, we could have excess inventory that we may need to hold for a long period of time, write down, sell at prices lower than expected or discard. If we are not successful in managing our inventory, our business, financial condition and results of operations could be adversely affected.

We may also be negatively affected by changes in distributors' inventory policies and practices. Our distributors make no binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any distributor can therefore freely reduce its overall purchase of our products, and reduce the number and variety of our products that it carries and the shelf space allotted for our products. If demand or future sales do not reach our forecasted levels, we could have excess inventory. If we are not successful in managing our inventory, our business, financial condition and results of operations could be adversely affected.

In addition, our business relies on consumers' demand for our products. Any change in the consumers' demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to inventory obsolescence, decline in inventory value or inventory write-off.

If we determine our prepayments and other current assets to be impaired, our business, results of operations and financial condition may be adversely affected.

Our prepayments and other current assets mainly comprised prepayments made to suppliers of our new retail business and service providers of our IP creation and operation business. As at December 31, 2019, 2020, 2021 and 2022, our prepayments and other current assets amounted to RMB16.6 million, RMB31.3 million, RMB53.7 million and RMB53.1 million, respectively, representing a substantial portion of our current assets.

We may have to make provisions for impairment losses for our prepayments and other current assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment assessment of prepayments and other current assets involve substantial management judgments, estimates and assumptions. Our management would typically take into account the credibility, financial performance, and default history (if any) of our suppliers and/or service providers and other factors beyond our control. Consequently, any material changes in the circumstances may negatively impact our forecasts and projections, which in turn may lead to a decline in the carrying amount of our prepayments and other current assets and result in impairment. The results of our assessment may also be materially different from the actual results, and our periodic assessment on the impairment of our prepayments and other current assets may turn out to be inaccurate. During the Track Record Period, we did not record any impairment losses on our prepayments and other current assets. However, there is no guarantee that we will not incur impairment losses in the future. Any significant impairment losses could materially and adversely affect our business, results of operations and financial condition.

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Our TV program rights may be subject to impairment.

As at December 31, 2019, 2020, 2021 and 2022, we recorded TV program rights of RMB77.2 million, nil, RMB13.6 million and RMB89.6 million, respectively, which were arising from the production of *J-Style Trip* season one and season two. We assess whether impairment indicator exists on TV program rights and provides impairment (if any) up to its net realizable amount. In determining whether impairment indicator exists and the net realizable amount of TV program rights, we make reference to both internal and external market information, such as sales forecasts, sales and distribution costs budget and the market condition. If there are any impairment indicators, we may be required to record impairment charges in respect of our TV program rights which may substantially and adversely affect our result of operations for the relevant years.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain, any adverse change in their fair value may directly affect our results of operations.

During the year ended December 31, 2021, our Group purchased certain wealth management products with floating returns and we recorded other gain from fair value change on financial assets at fair value through profit and loss (“**FVPL**”) of RMB0.4 million.

Since the value of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realized or unrealized losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition. The fair value of our financial assets that are not traded in an active market is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable input, such as the expected yield of the underlying investment portfolio and discount rate. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets and/or financial liabilities. Factors beyond our control, include, but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets, can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. We recorded fair value change on financial assets at FVPL of approximately RMB435,000 for the year ended December 31, 2021. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain. If the fair value on financial asset at FVPL were to fluctuate, our business, financial condition and results of operations may be materially and adversely affected.

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Failure to fulfill our obligations in respect of contract liabilities could materially and adversely affect our results of operations, liquidity and financial position.

Our contract liabilities mainly arose from the prepayments made by distributors for purchase of our products which were received by Kunshan Tingshe through the Jointly-controlled Accounts. We would account for such receipts in advance as contract liabilities as we regard Kunshan Tingshe as our agent to receive such advance payments on our behalf which were cleared and settled to us regularly. As at December 31, 2019, 2020, 2021 and 2022, our contract liabilities amounted to RMB13.5 million, RMB64.5 million, RMB59.3 million and RMB31.4 million, respectively. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as provision of our products to our distributors through Kunshan Tingshe is subject to various factors, including the production of our products from third-party manufacturers. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our distributors. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Settlement of investment in our TV programs is non-recurring in nature.

For the year ended December 31, 2020, we recorded other gains of RMB9.4 million which represented the settlement sum paid by an Independent Third Party for the early termination of its investment in *J-Style Trip* season one. For details, please refer to the section headed “Financial information – Description of major components of our results of operations – Other gains/(losses), net” in this prospectus and note 6 in the Accountant’s Report in Appendix I to this prospectus. The settlement of investment in our TV programs is non-recurring in nature. Third party investor(s) may decide to reduce, delay or discontinue the investment by amending or terminating the investment agreement with us and we cannot assure you that we would be able to reach a settlement with such investor(s) in the future.

The non-recurring nature of government grant could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, our Group received a government grant from the PRC government as support to our operations. In particular, we received government grants of RMB16.5 million for 2022 primarily comprised (i) the financial subsidies received from the Department of Finance in Kunshan for the efforts of maintaining stability of employees and business during the pandemic; and (ii) one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone. For details, please refer to the note 6 in the Accountant’s Report in Appendix I to this prospectus.

We cannot assure you that we will be able to receive government grant in the future. As government grant contributed certain portion of our profitability during the Track Record Period, the non-recurring nature of government grant to us may affect our profitability. Hence, our business, financial condition and results of operations could be affected as a result of the non-recurring nature of government grants.

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A severe and prolonged economic downturn may negatively impact the consumer discretionary spending and demand for our products and services, thus adversely affect our results of operations and financial condition.

Our products may be considered as discretionary items for the consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions and other factors, such as consumers' confidence in the future economic conditions, consumer sentiment, the availability and cost of consumer credit, levels of unemployment and tax rates. Unfavorable economic conditions may cause consumers to delay or reduce the purchases of our products and consumers' demand for our products may not grow as we expect. Our sensitivity to economic cycles and any related fluctuations in consumers' demand for our products and services may have an adverse effect on our results of operations and financial condition.

Security breaches and attacks against our systems and network may lead to the leakage and unauthorized disclosure of data and information that we gather, which may thus harm our brand image, our business and results of operations.

Despite the security measures that we have implemented, we may experience cyber-attacks of varying degrees, including the attempts to hack into our cloud or our intranet and steal customer and business information or obtain economic benefits from us. Our security measures may also be breached due to employee errors, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our data, or may otherwise obtain access to such data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our information system that could deter our customers from engaging with us, and have an adverse effect on our business and results of operations.

Due to the techniques being used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, our customers' and business partners' perception of the effectiveness of our security measures could be harmed, we could lose customers and business partners. Also, we may not be able to maintain the level of engagement with customers and business partners and we could be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

Failure to successfully operate and upgrade our information systems and procedures, and the inability to implement new technologies in a timely fashion, either may have a material adverse effect on our business, financial condition and results of operations.

As we grow our business, we will continue to invest in, implement and upgrade our information technology systems and procedures. Without these improvements, our operations might suffer from unanticipated system disruptions, slow data processing, unreliable service

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levels, impaired quality or delays in reporting accurate information, any of which could negatively affect our reputation and our ability to attract and retain customers. However, such upgrades may subject us to inherent costs and risks associated with changes to these systems, including potential disruption of our internal control structure, additional administration and operating expenses, failure to acquire or retain sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. If we fail to respond to the technological changes or to adequately maintain and upgrade our systems and infrastructure in response to the changing business needs in a timely, effective and cost-efficient fashion, our business could be adversely affected.

We require various approvals, licenses, permits and registrations to operate our business and any failure to obtain or renew any of these approvals, licenses, permits and registrations or any failure to attain the above pursuant to the new enactment of government policies, laws or regulations could materially and adversely affect our business and results of operations.

Social media based e-commerce industry is highly regulated, and requires multiple licenses, permits and approvals to conduct and develop business. As we increase our product and service offerings, we may also become subject to new or existing laws and regulations that did not apply to us before. In August 2018, the SCNPC promulgated the E-Commerce Law, which imposed a number of new requirements and obligations on e-commerce platform operators. Pursuant to the relevant PRC laws and regulations, e-commerce business operators shall operate legally and fulfill relevant obligations in terms of protection of consumers' rights and interests, intellectual property rights as well as cybersecurity and personal information. We have adopted a series of measures to comply with the requirements under the E-Commerce Law.

While we currently hold all the material licenses and permits required for our business operations, we cannot assure you that we will not be subject to any penalties or disciplinary actions in the future. For more details in relation to the licenses, permits and approvals which we possess in order to operate our business, please refer to the section headed "Business – Licenses, regulatory approvals and permits" in this prospectus. In addition, certain licenses, permits or registrations which we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted, and we may face penalties and in extreme circumstances, order to suspend or terminate our website and online business.

Further, due to the uncertainties of interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, registrations or filings that we held may be deemed insufficient by the PRC governments, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits in a timely fashion or at all. Complying with the government regulations may require substantial expenses, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to

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incur significant expenses and divert substantial management's time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

We face potential liabilities, expenses for legal claims and harm to our business based on the nature of our convention business.

We are subject to laws, regulations and other obligations relating to our conventions. We may incur significant expenses to comply with the applicable laws and regulations. We are required to obtain approvals, permits and files with respect to the conventions or activities from governmental authorities of public security and commerce at multiple levels, and we may face delays or obstacles in obtaining the requisite approvals, permits and files to host such conventions or activities. Once we encounter delays in obtaining or failure to obtain the requisite approvals, permits and files to host such conventions or activities, our sales, and results of operations may be adversely affected. In addition, we also face potential liabilities and expenses for legal claims relating to the convention business, including potential claims related to event injuries allegedly caused by us, creators, service providers, partners or unrelated third parties. For example, third parties could assert legal claims against us in connection with personal injuries related to occurrences at a convention or other events. Even if our personnel are not involved in these occurrences, we may face legal claims and still incur substantial expenses to resolve such claims.

Changes and misuse of our return and exchange policies may adversely affect our business and results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping onto our customers. We have also adopted return and exchange policies that allows customers to return the products within seven days without cause, or to exchange the products within 30 days without cause. We may also be legally required to adopt new or amend existing return and exchange policies from time to time. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenues. If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase beyond historical records or otherwise substantially, our costs may increase significantly and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in the loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We have limited business insurance coverage which could expose us to significant costs and business disruptions.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on

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commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition. Please refer to the section headed “Business – Insurance” in this prospectus for more details on our insurance policies.

Some of our leased properties did not complete registration procedures at relevant authorities and have title defects.

Our principal executive offices are located on leased premises in Kunshan, Jiangsu Province. Under the relevant PRC laws, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, all lease agreements with respect to our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. For details, please refer to the section headed “Business – Properties – Leased properties” in this prospectus.

In addition, as of the Latest Practicable Date, with respect to six out of 40 of our leased properties in the PRC, the lessors have not provided valid title certificates, valid title certificates for commercial purpose or relevant authorization documents evidencing their rights to lease the properties. For details, please refer to the section headed “Business – Properties – Leased Properties” in this prospectus. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. Any disputes or claims in relation to the titles of the properties that we occupy, including any litigations involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of the challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects.

We established the mechanism of share incentives and will continue to grant share option plan in the future, which may result in increased share-based compensation expenses and negatively impact our results of operations upon its implementation, and any options granted under the Post-IPO Share Option Scheme may dilute the Shareholders’ equity interests.

On June 19, 2023, our Board approved the establishment of the Post-IPO Share Option Scheme. The Post-IPO Share Option Scheme shall be valid and effective for 10 years from the Listing Date. The maximum number of Shares that may be issued pursuant to all awards under

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the Post-IPO Share Option Scheme shall be 80,000,000 Shares. Please refer to the section headed “Statutory and general information – D. Share Option Schemes – 2. Post-IPO Share Option Scheme” in Appendix V to this prospectus. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, any additional grant of share-based awards will also dilute existing shareholders’ shareholding.

Any future natural disasters, acts of war or terrorism, the outbreak of any contagious disease, epidemic or the occurrence of other incidents that are beyond our control may adversely affect our business, financial condition and results of operations.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of the information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in the loss of life, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause the loss of lives, disrupt our business networks and destroy our markets. Any of the aforementioned factors and other factors which beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct our business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

We cannot guarantee that we will not be involved in claims, disputes or legal proceedings during our ordinary course of business.

From time to time, we may be involved in claims, disputes or legal proceedings during our ordinary course of business. These may concern issues relating to, among others, product quality incidents relating to our health and beauty products, environmental matters, breach of contract, employment or labor disputes and the infringement of our intellectual property rights. As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that may materially affect our business and results of operations. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputations. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in full and in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings. For more details, please refer to the section headed “Business – Legal proceedings and compliance matters” in this prospectus.

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Our business operations may be subject to seasonality.

Our results of operations, in particular for our new retail segment, may be affected by our promotional and marketing activities, which may be subject to different shopping festivals during the year. For example, we may record higher sales volume of our products during 618 campaign in second quarter and/or Double 11 and Double 12 campaigns in fourth quarter during each year. Accordingly, various aspects of our operations, including sales, working capital and operating cashflow, may be exposed to the risks associated with seasonable fluctuations in demand of our products, and our half year results may not reflect our full year results going forward.

RISKS RELATING TO DOING BUSINESS IN THE PRC

As all of our operations are conducted in China, we are vulnerable to adverse changes in China's political, economic, and social conditions as well as government policies which could negatively impact our business, prospects and results of operations.

Substantially all of our assets and operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by the political, economic and social conditions in China generally and by continued economic growth in China as a whole.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remain state-owned and the PRC government exercises a high degree of control over these assets. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures to emphasize the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in the business enterprises, a substantial portion of the productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 on the Chinese and global economies in 2020 was severe. In particular, National Bureau of Statistics of China reported a 6.8% drop in gross domestic product (GDP) for the first quarter of 2020 as compared with the same period in 2019. Any adverse changes in the economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely

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affect our business and operating results, lead to the reduction in demand for our solutions and services, thus adversely affect our competitive position.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For instance, our financial condition and results of operations may be adversely affected by government's control over capital investments or changes in tax regulations. In addition, in the past, the PRC government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth. These measures may cause the decline of economic activities in China, which may adversely affect our business and results of operations.

Uncertainties with respect to the interpretation and enforcement of the PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited precedential value. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections provided to various forms of foreign or private sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities may differ in their discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of the administrative and court proceedings and the level of legal protections we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published in a timely manner or at all, but which may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including the uncertainties over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to the changes in the regulatory environment in China could materially and adversely affect our business and therefore impede our ability to continue our operations.

We may be adversely affected by the complexity, uncertainties and changes in the PRC regulation of Internet-related businesses and companies.

The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their

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interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of the applicable laws and regulations.

The evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the State Internet Information Office (with the involvement of the State Council Information Office, MIIT, and the Ministry of Public Security). The primary role of the State Internet Information Office is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with the online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

Due to the increasing popularity and the use of the Internet and other online services, with respect to online sales, advertising, customer acquisition, data acquisition and usage, or otherwise related to the Internet industries, a number of laws and regulations have been adopted and it is possible that more will be adopted in the future. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten the requirements for us to conduct our operations, which could in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the Internet industry generally.

We cannot assure you that subsequent laws and regulations or interpretation of existing ones would not render our operations non-compliant or that we would always be in full compliance with the applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models in a manner that undermines the experience of our customers. We may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the SCNPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties

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with specified turnover thresholds must be cleared by MOFCOM before they can be completed. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the Prospectus based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct substantially all of our operations in China and substantially all of our assets are located in China. As a result, it may be difficult for you to effect service of process upon us or our management named in the prospectus inside mainland China. It may also be difficult for you to enforce in U.S. courts of the judgments obtained in the U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and Directors as most of them currently reside outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of the U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on either treaties between China and the country where the judgments are made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of the PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

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We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises.

In addition, according to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, the board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of the voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on our or the subsidiary’s worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us will, and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the

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provisions of any applicable tax treaty), and in the case of dividends, the PRC tax will be withheld at source if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

PRC regulations related to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liabilities, and restrict our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, or otherwise affect our financial position.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE and/or their designated commercial banks in connection with their direct or indirect offshore investment activities. The SAFE Circular 37, was promulgated by the SAFE in July 2014 that requires PRC residents or entities to register with the SAFE or its local branch or designated commercial banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in the offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch or commercial banks of the SAFE, with respect to that offshore company, to reflect any material changes involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary.

Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive or illegal; and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries'

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ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, we cannot assure you that our individual Shareholders who are PRC citizens have completed their registration under the SAFE Circular 37.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulations concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategies. For instance, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategies and could adversely affect our business and prospects.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, the PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements that we may have. Under the existing PRC foreign exchange regulations, payments of current account items, such as profit distributions, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the

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future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Heightened scrutiny from the PRC tax authorities over the indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies may have a negative impact on our business operations, our acquisitions or restructuring strategy or the value of your investment in us.

Pursuant to the Circular 698, where a non-resident enterprise investor transfers equity interests in a PRC resident enterprise indirectly by way of disposing of equity interests in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other PRC taxable assets through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfers may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to late payment fees and penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes on a timely manner.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies, or other taxable assets, by us. Our Company and other non-resident enterprises of ours may be subject to filing or tax obligations if our Company and other non-resident enterprises of ours are transferors in such transactions, and we may be subject

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to withholding obligations if our Company and other non-resident enterprises of ours are transferees in such transactions, under Circular 7. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 7. As a result, we may be required to expend valuable resources to comply with Circular 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 7, our income tax costs associated with such transactions may be increased, which may have an adverse effect on our financial condition and results of operations. We may conduct acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions which we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on the potential acquisitions that we may pursue in the future.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds that we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in the registered capital, are subject to approval by, or registration with, relevant governmental authorities or their designated agencies such as commercial banks in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System (“FICMIS”), and registration with other governmental authorities or designated commercial banks in China. In addition, (i) any foreign loans procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated commercial banks; and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS or twice the net assets of such applicable PRC subsidiary. Any medium- or long-term loan exceeding one year to be provided by us must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (the “SAFE Circular 19”, 《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的

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通知》). SAFE Circular 19 took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capital of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scope, and other prohibited uses thereunder. On June 9, 2016, the SAFE promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Account (the “SAFE Circular 16”, 《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises consistent with SAFE Circular 19 from, among other things, using RMB fund converted from its foreign exchange capital for expenditure beyond its business scope, investment and financing of securities investment or non-guaranteed bank products, providing loans to non-affiliated enterprises (except for those permitted within the business scope) or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China with the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

We may be subject to the filing requirement with the CSRC if our Listing is not completed before September 30, 2023.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, along with the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知) (i.e. the Notice), pursuant to which, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information, unless the domestic companies (i) have already obtained the approval from overseas regulatory authorities or stock exchanges (which, according to the Notice, include the passing of the hearing for applicants who apply for listing on the Stock Exchange) prior to the effective date of the Trial Measures; and (ii) complete the indirect overseas listing prior to September 30, 2023. If we are unable to complete the Listing before September 30, 2023, the Listing may be subject to the filing requirement with CSRC.

Any failure to comply with the PRC regulations in relation to the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be

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retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options are subject to these regulations as our Company has become an overseas-listed company. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, executive officers and employees under PRC law.

In addition, the SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Fluctuations in exchange rates could result in foreign currency exchange losses, and negatively impact our results of operations and the value of your investment.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends on a large extent regarding domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit the fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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Changes in global economic conditions, international trade policies and rising political tensions, particularly between the U.S. and China, may adversely impact our business and operating results.

Recently there have been changes in the international trade policies and rising political tensions, particularly between the U.S. and China. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards China. While the “Phase One” agreement was signed between the United States and China on trade matters, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade, tax policy related to international commerce, or other trade matters. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. The situation is further complicated by the political tensions between the United States and China that escalated during the COVID-19 pandemic and in the wake of the PRC National People’s Congress’ decision on Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region, the central government of the PRC and the executive orders issued by U.S. President in August 2020 that prohibit certain transactions with certain China-based companies and their respective subsidiaries. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

While cross-border business currently may not be an area of our focus, a portion of materials, components and ingredients used for the manufacturing of our products are sourced by our third-party manufacturers from overseas. Any rising trade and political tensions or unfavorable government policies on international trade, such as capital controls or tariffs, may affect our procurement cost for products relying on materials, components and ingredients sourced from overseas, affect the price and demand for our products, impact the competitive position of our products or prevent us from selling products in certain countries. In particular, if any new tariffs, legislation and/or regulations are implemented, or if the existing trade agreements are renegotiated or, especially, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade and political tension, such changes could have an adverse effect on our business, financial condition and results of operations. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

RISKS RELATING TO OUR SHARES AND THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop or be sustained after the Listing. The liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public stock market for our Shares. There can be no guarantee that an active trading market for our Shares will develop

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or be sustained after the completion of the Global Offering. The Offer Price is the result of negotiations among our Company, the Selling Shareholder and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after the completion of the Global Offering.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performances.

The price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The Offer Price is HK\$4.25 per Offer Share. However, the Shares will not commence trading on the Stock Exchange until they are delivered. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We currently do not expect to pay dividends in the foreseeable future after this offering and you must rely on the price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution

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declare a dividend, but no dividend may exceed the amount recommended by our Directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after this offering or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilutions in their shareholding percentages.

Shareholders' interest may be diluted in the future if additional Shares are issued under the Post-IPO Share Option Scheme or upon exercise of Pre-IPO Options.

We have adopted the Pre-IPO Stock Incentive Plan under which Pre-IPO Options to subscribe for an aggregate of 25,000,000 Shares (to be adjusted to an aggregate of 33,217,009 Shares upon the Capitalization Issue), representing approximately 4.2% of the total issued share capital of our Company immediately upon completion of the Global Offering and Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes) at an exercise price of HK\$1.90 per Share (to be adjusted to HK\$1.43 per Share after the Capitalization Issue). No further options will be granted under the Pre-IPO Stock Incentive Plan after our Listing, however, the previously granted Pre-IPO Options will remain outstanding. We have also conditionally adopted the Post-IPO Share Option Scheme to be effective upon Listing under which options to subscribe for our Shares may be granted to employees and consultants, including officers and Directors. Options may remain outstanding for up to ten years. Options would be exercised presumably only when the closing price of the Shares on the Stock Exchange is higher than the option exercise price.

Exercise of Pre-IPO Options or of options granted under the Post-IPO Share Option Scheme after the Listing will result in dilution to our Shareholders and will accordingly result in reduced earnings per Share and net asset value per Share.

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We are a Cayman Islands company and, because the availability of judicial precedents regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those under statutes and judicial precedents in existence in the jurisdictions where minority Shareholders may be located. Please refer to the section headed “Summary of the constitution of our Company and the Cayman Companies Act” set out in Appendix IV of this prospectus for more details.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly the sections headed “Business” and “Industry overview” in this prospectus, contain information and statistics relating to the social media based e-commerce industry and our business and operations. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate and sufficient for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries or any other parties involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this Prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

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You should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information contained in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

We strongly caution you not to rely on any information contained in the press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around July 5, 2023.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the Capitalization Issue and upon the exercise of the Over-allotment Option) and the Shares which may be issued upon the exercise of the Options granted under the Pre-IPO Stock Incentive Plan and any Options which may be granted under the Post-IPO Share Option Scheme.

No part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on July 13, 2023. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 6683.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Selling Shareholder, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Tricor Services (Cayman Islands) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: RMB1.00:HK\$1.135 and US\$1.00:HK\$7.78.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail. The English translations of the Chinese names of such PRC entities, enterprises, titles, laws, regulations and the like are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the Options granted under the Pre-IPO Stock Incentive Plan or any Options which may be granted under the Post-IPO Share Option Scheme.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

| <u>Name</u> | <u>Address</u> | <u>ID issuing country/territory</u> |
|-----------------------------------|--|-------------------------------------|
| Executive Directors | | |
| Ms. Ma, Hsin-Ting (馬心婷) | 2/F No. 48, Lane 939 Zhonghua 5th Road Kaohsiung Taiwan | Chinese (Taiwan) |
| Dr. Qian, Sam Zhongshan (錢中山) | Room C, 27/F Block 2 Fleur Pavilia 1 Kai Yuen Street North Point Hong Kong | Chinese (Hong Kong) |
| Mr. Lai, Kwok Fai Franki (賴國輝) | Flat E, 24/F Tung Shan Mansion Taikoo Shing Hong Kong | Chinese (Hong Kong) |
| Non-executive Directors | | |
| Mr. Yang, Chun-Jung (楊峻榮) | 14/F, No. 30, Aiguo West Road Zhongzheng District Taipei City 100 Taiwan | Chinese (Taiwan) |
| Mr. Chen, Chung (陳中) | 17/F, No. 10, Lane 21, Section 6 Hsin Hai Road Wen Shan District Taipei Taiwan | Chinese (Taiwan) |

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

| <u>Name</u> | <u>Address</u> | <u>ID issuing country/territory</u> |
|--|--|-------------------------------------|
| Independent non-executive Directors | | |
| Dr. Xue Jun (薛軍) | Apartment 310 505 Zhongguanyuan Peking University Haidian District Beijing 100871 PRC | Chinese |
| Mr. Yang, Dave De | 427 Ashbury Dr. Hinsdale Illinois United States | United States |
| Ms. Chung, Elizabeth Ching Yee (鍾靜儀) | Flat 3203, 32/F Convention Plaza Apartment 1 Harbour Road Wan Chai Hong Kong | Chinese (Hong Kong) |

Please refer to the section headed “Directors and senior management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| Sole Sponsor | CMBC International Capital Limited 45/F, One Exchange Square 8 Connaught Place, Central Hong Kong |
| Sole Overall Coordinator | CMBC Securities Company Limited 45/F, One Exchange Square 8 Connaught Place, Central Hong Kong |
| Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers | CMBC Securities Company Limited 45/F, One Exchange Square 8 Connaught Place, Central Hong Kong Bradbury Securities Limited Unit 5106–07, 51/F, The Center 99 Queen’s Road Central Hong Kong |
| Joint Bookrunners and Joint Lead Managers | SPDB International Capital Limited 33/F, SPD Bank Tower One Hennessy, 1 Hennessy Road Hong Kong First Shanghai Securities Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong Guotai Junan Securities (Hong Kong) Limited 26/F–28/F, Low Block, Grand Millennium Plaza 181 Queen’s Road Central Hong Kong BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong |

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**China Industrial Securities International
Capital Limited**

32/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

Valuable Capital Limited

3601, 36/F, China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Eddid Securities and Futures Limited

21/F, Citic Tower
1 Tim Mei Avenue, Central
Hong Kong

South China Securities Limited

28/F, Bank of China Tower
1 Garden Road, Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China Everbright Securities (HK) Limited

12/F, Everbright Centre
108 Gloucester Road, Wan Chai
Hong Kong

Huafu International Securities Limited

Units 1703–1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

**Essence International Securities (Hong Kong)
Limited**

39/F, One Exchange Square
Central
Hong Kong

CCB International Capital Limited

9/F, CCB Tower
3 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Zheshang International Financial Holdings Co., Limited

Room 4405-06, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Quam Securities Limited

5/F and 24/F (Rooms 2401 and 2412),
Wing On Centre
111 Connaught Road Central
Hong Kong

Winbull Securities International (HK) Limited

Unit A, 26/F, United Centre
95 Queensway, Admiralty
Hong Kong

uSmart Securities Limited

Unit 2606-07, 26/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

Joint Bookrunner

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Lead Managers

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

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Receiving Bank

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CORPORATE INFORMATION

| | |
|---|---|
| Registered Office | P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands |
| Headquarters | 2/F, Block 1 Dream Star Garden 68 Jinjie Road Huaqiao Town, Kunshan PRC |
| Principal Place of Business in Hong Kong | Unit 2310-11 23rd Floor Tower Two, Lippo Centre 89 Queensway Hong Kong |
| Company's Website | www.splend.com <i>(The contents of this website do not form part of this prospectus)</i> |
| Company Secretary | Ms. Law Kwok Wing, <i>HKICPA</i> 17/F United Centre 95 Queensway Admiralty Hong Kong |
| Authorized Representatives | Mr. Lai, Kwok Fai Franki Flat E, 24F Tung Shan Mansion Taikoo Shing Hong Kong Ms. Law Kwok Wing, <i>HKICPA</i> 17/F United Centre 95 Queensway Admiralty Hong Kong |
| Audit Committee | Mr. Yang, Dave De (<i>chairperson</i>) Dr. Xue, Jun (薛軍) Ms. Chung, Elizabeth Ching Yee (鍾靜儀) |

CORPORATE INFORMATION

| | |
|---|---|
| Remuneration Committee | Ms. Chung, Elizabeth Ching Yee (鍾靜儀) (<i>chairperson</i>) Ms. Ma, Hsin-Ting (馬心婷) Mr. Yang, Dave De |
| Nomination Committee | Ms. Ma, Hsin-Ting (馬心婷) (<i>chairperson</i>) Dr. Xue, Jun (薛軍) Ms. Chung, Elizabeth Ching Yee (鍾靜儀) |
| Cayman Islands Principal Share Registrar and Transfer Office | Tricor Services (Cayman Islands) Limited Third Floor Century Yard Cricket Square P.O. Box 902 Grand Cayman KY1-1103 Cayman Islands |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong |
| Compliance Advisor | CMBC International Capital Limited 45/F, One Exchange Square 8 Connaught Place Central Hong Kong |
| Principal Banks | Nanyang Commercial Bank, Limited 151 Des Voeux Road Central Central Hong Kong Bank of Communications, Huaqiao Kunshan branch International Finance Building No. 538, Shangyin Road Huaqiao Town, Kunshan Suzhou, Jiangsu PRC |

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

Regulations in relation to company establishment and foreign investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the SCNPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and companies limited by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares, where the laws on foreign investment provide otherwise, such provisions shall prevail.

The Company Law is the principal law governing dividend distributions of PRC companies. PRC companies may pay dividends only out of their after-tax profits, if any. In addition, PRC companies are required to set aside each year at least 10% of their after-tax profit to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves or funds are not distributable as dividends. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

On March 15, 2019, the National People’s Congress (the “**NPC**”) promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which came into force on January 1, 2020 and repealed simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Wholly Foreign-owned Enterprise (《中華人民共和國外資企業法》) and the Law of the PRC on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》). Subject to the Foreign Investment Law, foreign invested enterprises incorporated before the enforcement of the Foreign Investment Law may keep their original organizational forms for five years after the enforcement of the Foreign Investment Law. The Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on December 26, 2019 and took effect on January 1, 2020. According to the Foreign Investment Law, the PRC government adopts the management system of pre-establishment national treatment and negative list for foreign investment. The negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the PRC government. The PRC government will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “**Guidance Catalogue**”) which was most recently amended on June 28, 2017 and came into effect on July 28, 2017, the industries invested by foreign investors are classified into two categories: encouraged industries and the industries subject to special administrative

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measures for the access of foreign investment (including restricted industries and prohibited industries). The Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)) (the “**Negative List**”) which was promulgated on June 28, 2018, revised on June 30, 2019 and came into effect on July 30, 2019, replaced the portion of special administrative measures for the access of foreign investment in the Guidance Catalogue. The Negative List (2021 version) was recently promulgated on December 27, 2021 and came into effect on January 1, 2022. The Catalogue of Industries for Encouraged Foreign Investment (2022 version) (鼓勵外商投資產業目錄(2022年版)) (the “**Encouraged Catalogue**”) which was promulgated on October 26, 2022 and came into effect on January 1, 2023, replaced the encouraged industries in the Guidance Catalogue. Foreign investors shall not invest in the fields where foreign investment is prohibited in the Negative List. Foreign investors shall meet the investment conditions stipulated under the Negative List for any field with investment restricted by the Negative List for foreign investment access. Unless otherwise prescribed by the PRC laws, any industries not falling into any of the encouraged, restricted or prohibited industries set out in the Encouraged Catalogue and the Negative List is a permitted industry for foreign investment.

Pursuant to the Interim Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Interim Measures**”) promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, establishment and modifications of foreign investment enterprises that are not subject to the approval under the special administrative measures for the access of foreign investment shall be filed with the competent commercial authorities.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was promulgated by MOFCOM and SAMR on December 30, 2019, which came into effect on January 1, 2020 and replaced the Interim Measures. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to such measures.

Regulations in relation to food production, sale and safety

Food safety

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), as promulgated by the SCNPC on February 28, 2009, took effective on June 1, 2009 and amended on April 24, 2015, December 29, 2018, and April 29, 2021, and Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (“**Implementing Regulations of the Food Safety Law**”), passed by the State Council on July 20, 2009 and amended on February 6, 2016 and October 11, 2019, food producers and business operators shall, in accordance with laws, regulations and food safety standards, engage in production and business operation activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

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According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food safety standards are mandatory standards, other than food safety standards, no food mandatory standard shall be formulated. The health administrative department under the State Council shall, in concert with the food safety administration under the State Council, be responsible for the formulation and release of national food safety standards. The standardization administrative department under the State Council shall provide the reference codes for these national standards. The health administrative department of the State Council shall, in collaboration with the food safety supervision and management department and the agriculture administrative department, etc. of the State Council, develop a national standard plan on food safety and an annual plan for the implementation thereof. For local special foods without national food safety standards, the health administrative departments of the people's governments of provinces, autonomous regions and municipalities directly under the central government may formulate and publish local food safety standards and submit the same to the health administrative department under the State Council for filing. After the national food safety standards are formulated, such local standards shall be nullified immediately.

The PRC government encourages food producers to formulate corporate standards that are stricter than the national or local food safety standards. Such corporate standards apply to such producers and shall be reported to the health administrative department of the people's governments of provinces, autonomous regions and municipalities directly under the central government for filing. The health administrative departments of the people's governments at the provincial level or above shall promulgate on their respective websites the national and local food safety standards and corporate standards formulated and filed for inquiry and downloading by the public free of charge.

The state has established a food recall system according to the Food Safety Law and the Implementing Regulations of the Food Safety Law. Upon discovery of food produced not conforming to food safety standards or if there is any evidence proving that the foods produced may harm human health, food producers and operators shall (i) immediately cease production, recall foods in the market, notify the relevant food producers, operators and consumers thereof, and keep records of the recall and notification status; (ii) immediately cease operation, notify the relevant food producers, operators and consumers thereof, and keep records of the cessation and notification status. If a food producer considers a recall as necessary, then foods in the market shall be recalled immediately.

Licensing system for food production and sale

Pursuant to the Food Safety Law and the Implementing Regulations of the Food Safety Law, the state adopts a licensing system for food production and sale. To engage in food production and food sale, a license shall be obtained in accordance with the law. A party who intends to sell only pre-packaged food products shall report to the food safety administration of the local people's government at or above the county level at its domicile for record-filing.

Pursuant to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the SAMR on January 2, 2020 and took effect on March 1, 2020, the

REGULATORY OVERVIEW

food production license is valid for five years and is subject to the “one entity, one license” principle. Pursuant to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was promulgated by the China Food and Drug Administration on August 31, 2015, took effect on October 1, 2015 and was latest amended on November 17, 2017, entities engaging in food selling in the PRC shall obtain a food operation license. The principle of one license for one site shall apply to the food operation license. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators’ types and the degree of risk of their operation projects. The food operation license is valid for five years.

Food labeling management

According to the Food Safety Law, packaged food shall be labeled. The labels shall include the following items: (1) name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the production license number; and (9) other items that are required by laws, regulations and food safety standards. Major nutrition facts and contents shall be specified on the labels of staple foods and supplementary foods exclusively for infants and other designated groups. Where national food safety standards have otherwise provisions on label matters, those provisions shall prevail. Food operators shall sell food in accordance with warning marks, warning specifications or cautions stated on labels thereof.

Health Supplements

According to the Food Safety Law and the Implementation Regulations of the Food Safety Law, the State Council implements strict supervision and administration for special categories of foods such as health foods, foods for special medical purposes and infant formula foods. Health supplements claiming the health-care functions shall have scientific basis, and shall not cause acute, sub-acute or chronic harm to human health. Foods other than health supplements shall not be claimed to have the health-care function. The food safety supervisory and administrative department of the State Council and other competent governmental authorities authorized by the Food Safety Law shall formulate, adjust and publish the catalog of raw materials for health supplements and the catalog of functions that health supplements are permitted to claim.

According to the Administrative Measures for Health Supplements (《保健食品管理辦法》) issued by the Ministry of Health, on March 15, 1996, any food that is claimed to have the effect of health-care must be identified by the Ministry of Health.

Measures for the Administration of the Catalogue of Ingredients and the Catalogue of Health Functions of Health Supplements (《保健食品原料目錄與保健功能目錄管理辦法》), which was promulgated by the SAMR on August 2, 2019 and became effective on October 1, 2019, stipulates the formulation, adjustment and publication of the catalog of ingredients and the catalog of health functions that are permitted to be claimed for health supplements shall be produced and operated within the territory of the PRC.

REGULATORY OVERVIEW

The Announcement on Promulgation of the Catalogue of Ingredients for Health Supplements (I) and the Catalogue of Permitted Health Functions Claimed by Health Supplements (I) (關於發佈《保健食品原料目錄(一)》和《允許保健食品聲稱的保健功能目錄(一)》的公告) was promulgated by the China Food and Drug Administration (currently known as National Medical Products Administration), National Health and Family Planning Commission, and the State Administration of Traditional Chinese Medicine on December 27, 2016 and became effective on the same day. Catalogue of Ingredients for Health Supplements (I) regulates the list of ingredients for nutritional supplements, and the Catalogue of Permitted Health Functions Claimed by Health Supplements (I) regulates the list of health functions for nutritional supplements.

Regulations in relation to cosmetics

Pursuant to the Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》) which was promulgated by the State Council on June 16, 2020 and became effective on January 1, 2021, cosmetics are divided into special cosmetics and ordinary cosmetics. The state implements registration management for special cosmetics and filing management for ordinary cosmetics. Domestic ordinary cosmetics shall be filed with the provincial drug regulatory authority where the filing applicant is located before going on sales. In the case of entrusted production of cosmetics, the cosmetics registrant or the record-filing applicant shall entrust the enterprise that has obtained the corresponding cosmetics production license and supervise the production activities of the entrusted enterprise to ensure that the production activities comply with the legal requirements. In accordance with the Work Practices on the Registration and Filing Inspection of Cosmetics (《化妝品註冊和備案檢驗工作規範》) promulgated by the National Medical Products Administration on September 3, 2019, which became effective on the same day, cosmetic enterprises independently select an inspection and testing institution with corresponding capacity to carry out cosmetics registration and filing inspection.

Regulations in relation to e-commerce activities

Pursuant to the E-Commerce Law which was promulgated by SCNPC on August 31, 2018 and became effective on January 1, 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including: (i) e-commerce platform operators; (ii) in-platform business operators; and (iii) other e-commerce operators that sell commodities or offer services through a self-built website or other network services. An e-commerce platform operator means a legal person, or an organization without the status of legal person that provides two or more parties in e-commerce transactions with services such as online business premises, deal making, and information release for the aforesaid parties to carry out transactions independently. The Ordering Management System provided by our Group only allows users to place order rather than allowing its users to conduct transactions independently, as an e-commerce platform such as Taobao where users are able to display their products for sale on the platform, to enter into purchase agreement with each other according to rules of the platform and/or make payment on

REGULATORY OVERVIEW

the platform. Therefore the Ordering Management System is not an e-commerce platform and our Group is not an e-commerce platform operator. An in-platform business operator means an e-commerce operator who sells products or provide services through e-commerce platforms. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cyber security and individual information, assume responsibility for quality of products or services and accept the supervision by the government and the public.

E-commerce operators shall complete the market entity registration (unless no such registration is required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations. E-commerce operators shall, among others, (i) continuously display its business license information and administrative license, or relevant information which indicates that it does not need to complete the market entity registration in a prominent position on its homepage; (ii) disclose information about commodities or services in a comprehensive, truthful, accurate and timely manner so as to safeguard the consumers' right to know and right of choice; (iii) deliver commodities or services according to its commitment or the ways and time limits as agreed upon with consumers, and bear the risks and responsibilities when commodities are in transit; and (iv) bring the tie-in sales of commodities or services to consumers' attention in significant manner and shall not set tie-in commodities or services as default options. Where an e-commerce operator ceases to engage in e-commerce business, it shall continuously announce relevant information in a prominent position on its homepage 30 days in advance. An e-commerce platform operator shall submit the identity information of in-platform e-commerce operators to the administrative authorities of market regulation as required, remind in-platform e-commerce operators that have not made market entity registration to make registration as legally required, cooperate with the administrative authorities of market regulation, and based on the characteristics of e-commerce, provide in-platform e-commerce operators that are required to make market entity registration with registration facilitation. As advised by our PRC Legal Advisors, as our Group is not an e-commerce platform operator as defined under the E-Commerce Law, hence we are not required to fulfill the responsibilities of an e-commerce platform operator, including but not limited to monitoring, notifying and providing assistance to our distributors to complete registrations of corporate entities.

On March 15, 2021, SAMR issued the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), or the Online Trading Supervision Measures, which took effect on May 1, 2021, which abolished the Administrative Measures on Online Trading (《網絡交易管理辦法》) which was promulgated by the former SAIC on January 26, 2014. The measures imposed various restrictions on the business operations of online transaction operators. For example, online transaction operators are required to fully, truthfully, accurately and timely

REGULATORY OVERVIEW

disclose information relating to goods and services to protect consumers' right to information and right to choose. In addition, the Online Trading Supervision Measures also stipulate detailed requirements with respect to the protection of consumer rights and personal information. For example, the Online Trading Supervision Measures provide that online transaction operators shall not compel customer.

Regulations on jurisdiction of administration for market regulation

Article 5 of the Online Trading Supervision Measures promulgated on March 15, 2021 and took effect on May 1, 2021, provides that the SAMR is responsible for organizing and guiding the supervision and administration of online transactions nationwide. Local administrations for market regulation at or above the county level are responsible for the supervision and administration of online trading within their respective administrative regions. Article 7 of the Provisions on Administrative Penalty Procedures for Market Regulation (《市場監督管理行政處罰程序規定》) promulgated on July 2, 2021 and took effect on July 15, 2021, and amended on September 29, 2022 provides that, administrative penalty shall come under the jurisdiction of an administration for market regulation at or above the county level in the place where the illegal act is committed. Where there are provisions otherwise prescribed by laws, administrative regulations and departmental rules, such provisions shall prevail. According to Article 8 of the Provisions on Administrative Penalty Procedures for Market Regulation, an administration for market regulation at the level of county or city comprising of different districts shall have jurisdiction over administrative penalty cases occurring within its jurisdiction *ex officio*. Where the laws, regulations and rules stipulate that market regulatory authorities at or above the provincial level has jurisdiction, such provisions shall prevail. Article 10 of the Provisions on Administrative Penalty Procedures for Market Regulation provides that, among others, any illegal act committed by an online trading platform operator or an online trading operator selling goods or providing services through its self-established website or other online services shall be subject to the jurisdiction of the administration for market regulation at or above the county level of the operator's domicile.

Regulations in relation to online Livestreaming marketing

According to the Guiding Opinions of State Administration for Market Regulation on Strengthening the Regulation of Online Livestreaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》) (the “**Guiding Opinions on Online Livestreaming Marketing**”) issued by the SAMR on November 5, 2020, product business operators selling goods or providing services through online Livestreaming are subject to the provisions under the E-commerce Law, the Law on the Protection of Consumer Rights and Interests, the Anti-Unfair Competition Law, the Product Quality Law, the Food Safety Law, the Advertising Law, the Price Law, the Trademark Law, the Patent Law and other applicable laws. The promotion made by livestreamers during Livestreaming shall be authentic and legal, and shall comply with relevant provisions of the Anti-Unfair Competition Law and the Advertising Law. The Guiding Opinions on Online Livestreaming Marketing sets out liabilities of product business operators and livestreamers, including provisions on: (i) the marketing scope of goods or services, notably that goods or services prohibited to be manufactured or sold by laws and regulations shall not be

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sold via livestreaming; (ii) the review and release of advertisements, namely that no advertisement that requires prior review in accordance with laws and administrative regulations may be published without such prior review; and (iii) the protection of consumers' right to know and right to choose. All illegal acts in connection with online Livestreaming marketing will be investigated and penalized accordingly.

On April 23, 2021, the Cyberspace Administration of China, the Ministry of Public Security, MOFCOM, the Ministry of Culture and Tourism, SAT, the National Radio and Television Administration, and SAMR issued the Administrative Measures for Online Livestreaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》) (the “**Online Livestreaming Marketing Measures**”) which came into effect on May 25, 2021. According to the Online Livestreaming Marketing Measures, Livestreaming room operators and Livestreaming marketers are subject to relevant responsibilities and obligations with respect to advertising compliance for Livestreaming marketing activities, the management of interactive contents, the verification and recording of information of the suppliers of commodities and services, consumer rights protection and other matters.

According to the Online Livestreaming Marketing Measures, Livestreaming room operators and Livestreaming marketers engaging in online Livestreaming marketing activities must comply with relevant laws and regulations, and shall not commit any of the following acts: (i) violate Article 6 and 7 of the Provisions on the Governance of Network Information Content Ecology (i.e., the publication of illegal and harmful information, including but not limited to information that endangers national security, propagates terrorism, spreads obscene or pornographic content or promotes vulgar content); (ii) publish false or misleading information to deceive or mislead user-audience; (iii) market counterfeit or substandard goods or goods that infringe upon intellectual property rights, or goods that fail to meet the requirements for personal and property safety; (iv) fabricate or tamper with transactional data, attention data, page views, likes or other data; (v) promote or attract traffic for others despite knowing or being in situations where they ought to know the promoted individual engage or has engaged in illegal or high-risk behaviors; (vi) harass, slander, insult or threaten others, or infringe upon the legitimate rights and interests of others; (vii) engage in pyramid marketing, fraud, gambling, or selling contrabands or controlled goods, etc.; and (viii) commit any other acts in violation of state laws, regulations and relevant provisions. In addition, Livestreaming room operators and Livestreaming marketers are subject to certain obligations during the operation of online Livestreaming marketing activities, including but not limited to the obligations to: (i) perform duties and obligations of advertisement publishers, advertisement agents or advertisement endorsers where their Livestreaming content constitutes commercial advertisement; (ii) strengthen the management of Livestreaming rooms, and must not implicitly or otherwise mislead user-audience; (iii) effectively carry out real-time management of interactive contents such as voice and video connections, comments and bullet screens, and must not deceive or mislead user-audience in any way, such as by deleting or blocking relevant unfavorable comments; (iv) verify information of suppliers of goods and services, such as their identity, address, contact information, administrative permits, credibility information, and keep record of such information for further inspection; and (v) protect consumers rights and interests in accordance with laws and

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regulations, and must not deliberately delay or refuse, without justifiable reasons, legitimate and reasonable requests put forward by consumers.

Regulations in relation to strengthening the regulation of entertainment industry

According to the Circular of the General Office of the National Radio and Television Administration on Further Strengthening the Administration on Culture Programs and Related Personnel (《國家廣播電視總局辦公廳關於進一步加強文藝節目及其人員管理的通知》) promulgated by the National Radio and Television Administration on September 2, 2021, government authorities intend to strengthen the regulation of culture programs and related individuals, and strictly regulate and resolve problems of artists' violation of law and morality and chaos in the "fans community". Specifically, (i) the selection of actors and guests for culture programs by the broadcast and TV institutions and online audio-visual platforms should be carefully controlled, with political literacy and moral conduct included as selection criteria; individuals with the wrong political stance, breaking laws and regulations or are contrary to public order and morals shall not be selected; (ii) broadcast and TV institutions and online audio-visual platforms must not broadcast idol development programs or variety shows and reality shows that feature the children of celebrities; encouragements for fans to spend money to vote are strictly forbidden; unhealthy fan culture are strictly forbidden; (iii) "deformed" tastes such as "effeminate" esthetics in programs should be forbidden; resolutely resist showing off wealth and enjoyment, hyping up gossip and privacy, negative hot topics, vulgar 'internet celebrities', and the bottomless appreciation of ugliness, and other pan-entertainment tendencies; (iv) resolutely resist exaggerated actor salaries and tax evasion; actors and guests are encouraged to assume social responsibilities and participate in public welfare program; and (v) strengthen the regulation over practitioners of the performing arts industry, who must not pursue improper benefits with professional status and popularity.

According to the Circular on Further Strengthening Work Relating to the Regulation of the Online Information Involving Entertainment Celebrities (《關於進一步加強娛樂明星網上信息規範相關工作的通知》) issued by the Cyberspace Administration of China on October 26, 2021, the State will strengthen the regulation of entertainment celebrities' online information orientation. Entertainment celebrity-related information published online shall correctly lead public discourse and value orientation and shall not contain content expressly prohibited by laws and administrative regulations. These publications shall not encourage traffic supremacy, deformed esthetics, wealth flaunting and other undesirable values; or stimulate and induce fan groups to engage in excessive consumption, illegal fund-raising, irrational voting and other irrational acts of support. Joint disciplinary measures will be taken against law-breaking and unethical celebrities to strictly prevent these celebrities from relocating their online presence and coming back.

Regulations on the approval process for launching programs (both on TV & platforms) in the PRC

Pursuant to the Regulations on Radio and Television Administration (Revised in 2020) (《廣播電視管理條例》(2020年修訂)) promulgated by the State Council on August 11, 1997

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and last revised on November 29, 2020, radio station or television station shall carry out pre-broadcast examinations of the content of radio and television programs they broadcast. Pursuant to the Notice on Further Strengthening the Administration of Record-filing of Radio and Television Programs and Punishment for Regulations Non-compliance (Xin Guang Dian Fa [2017] No. 254) (《關於進一步加強廣播電視節目備案管理和違規處理的通知》(新廣電發[2017]254號)) promulgated by the State Administration of Press, Publication, Radio, Film and Television on December 6, 2017, radio station or television station shall file for record with the competent radio and television administrative department at or above the provincial level certain key types of radio and television programs before broadcasting. Such key types of radio and television programs include without limitation certain types of prime-time programs of satellite comprehensive channels.

Pursuant to the Notice on Further Strengthening the Administration of Online Dramas, Microfilms and other Online Audio-visual Programs (Guang Fa [2012] No. 53) (《關於進一步加強網絡劇、微電影等網絡視聽節目管理的通知》(廣發[2012]53號)) promulgated by the State Administration of Radio, Film and Television and the Cyberspace Administration on July 6, 2012, an online audio-visual program service provider shall carry out the management system of reviewing prior to broadcasting online audio-visual programs. Before broadcasting online audio-visual programs, the online audio-visual program service provider shall arrange its content censors to review the content of such online audio-visual programs proposed to be broadcasted, and may not broadcast such programs on the Internet until they are approved upon review. An online audio-visual program service provider shall file for record the information of the approved online audio-visual programs with the provincial radio and television administrative department.

Regulations in relation to product quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufacturers shall be responsible for the quality of their products. If a defect in a product causes physical injury or damage to property other than the defective product, the manufacturers shall bear liability for compensation, unless they are able to prove that: (1) the product has not been put into circulation; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the SCNPC on December 26, 2009 and effective from July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage

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to others are attributable to the sellers. The infringed party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage. The Tort Liability Law of the PRC was repealed by the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”) which was promulgated on May 28, 2020 and became effective on January 1, 2021. According to the Civil Code, if damages to other persons are caused by defective products due to the fault of third parties, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc., in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Regulations in relation to consumer protection

According to the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the “**Consumer Protection Law**”) which was promulgated by the SCNPC on October 31, 1993 and became effective on January 1, 1994 and was amended on August 27, 2009 and October 25, 2013, where business operators sell commodities on the internet, on television, over telephone, or by mail order, consumers shall have the right to return the commodities within seven days of receipt of them without cause, subject to certain exceptions. Moreover, consumers are entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services. Violations of the Consumer Protection Law may result in the imposition of fines, the suspension of operation, the revocation of business license or even criminal liability of the business operators.

Regulations in relation to intellectual property

Trademark

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014. The Trademark Office of National Intellectual Property Administration (國家知識產權局商標局) (the “**Trademark Office**”) handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded, while the non-filing of the licensing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

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The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Domain name

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) promulgated by the MII on November 5, 2004 and took into effect on December 20, 2004, which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and took into effect on November 1, 2017. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

Patent

Pursuant to the Patent Law of the PRC (Revision 2020) (《中華人民共和國專利法(2020年修訂)》) promulgated by the SCNPC on October 17, 2020 and took into effect on June 1, 2021, and its Implementation Rules (Revision 2010) (《中華人民共和國專利法實施細則(2010年修訂)》) promulgated by the State Council on January 9, 2010 and took into effect on February 1, 2010, the National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third party must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

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Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and amended on October 27, 2001, February 26, 2010 and November 11, 2020 (the latest revision became effective on June 1, 2021) and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, amended on January 8, 2011 and January 30, 2013 (the latest revision became effective on March 1, 2013), the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

Any work of a foreigner or stateless person which acquires copyright under an agreement concluded between the PRC and the country to which the author belongs or in which the author permanently resides, or under an international treaty to which both countries are parties, shall be protected by this Law. Any work of a foreigner or stateless person published for the first time and within the territory of the PRC shall acquire copyright in accordance with the relevant rules.

Regulations in relation to employment and social welfare

The Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, becoming effective on January 1, 1995 and amended on August 27, 2009 and on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, becoming effective on January 1, 2008 and amended on December 28, 2012 and effective from July 1, 2013, and the Regulations on the Implementation of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on September 18, 2008, labor relationships between employers and employees must be executed in written form. Where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant training to its employees. Employees are also required to work in safe and sanitary conditions.

Social insurance and housing fund

Enterprises in China are required by the PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund.

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Pursuant to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011 and amended on December 29, 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) came into effect on January 22, 1999 and amended on March 24, 2019, Regulations on Work Injury Insurance (《工傷保險條例》) implemented on January 1, 2004 and amended on December 20, 2010, Regulations on Unemployment Insurance (《失業保險條例》) promulgated on January 22, 1999 and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, enterprises in the PRC must register with the competent managing center for housing funds and upon the examination by such center, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. Employers that violate these regulations and fail to process housing fund payments or deposit registrations with the housing fund administration center within a designated period are subject to a fine ranging from RMB10,000 to RMB50,000.

Regulations in relation to taxation

Enterprise income tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated on March 16, 2007, amended on February 24, 2017 and December 29, 2018, and the Enterprise Income Tax Implementation Regulations of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**EITIR**”), which was promulgated by the State Council on December 6, 2007, became effective on January 1, 2008 and was amended on April 23, 2019, the income tax rate for both domestic and foreign-invested enterprises is 25%. Enterprises established outside the PRC with “de facto management bodies” located in the PRC are considered as “resident enterprises” and are subject to the uniform 25% enterprise income tax rate for their global income. “Non-resident enterprises” are defined as enterprises that are organized under the laws of foreign countries and have “de facto management bodies” located

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outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law, non-resident enterprises are generally subject to a uniform corporate income tax of 25%. However, pursuant to the EIT Law and its implementing rules, if non-resident enterprises have not formed establishments or premises in the PRC, or if they have formed establishments or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the establishments or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

Dividends withholding tax

According to the EIT Law, dividends paid by foreign-invested companies to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Double Tax Avoidance Arrangement**”) promulgated on August 21, 2006, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR.

However, based on the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated and took into effect on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

Based on the Notice of the State Administration of Taxation on the Recognition of Beneficial Owners in Tax Treaties (國家稅務總局關於稅收協定中“受益所有人”有關問題的公告), which was promulgated by SAT on February 3, 2018 and came into effect on April 1, 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management and other activities, the applicant was unlikely to be recognized as an beneficial owner to enjoy tax treaty benefits.

Value-added tax

Pursuant to the Pilot Proposals for the Collection of Value-Added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點方案》) issued jointly by the Ministry of Finance (the “**MOF**”) and

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the SAT on November 16, 2011 and with effect from November 16, 2011, the pilot program shall be initiated on January 1, 2012, and timely improve the program according to the circumstances and choose a right time to expand the scope of the pilot program. The pilot program shall be conducted in the production-oriented service industries such as the transportation industry and some modern service industries in the pilot regions and gradually spread to other industries. On the basis of the current standard value-added tax (“VAT”) rate of 17% and low VAT rate of 13%, two low tax rates of 11% and 6% shall be added. The tax rate of 17% shall be applicable to those like lease of tangible personal property, the tax rate of 11% shall be applicable to the transportation industry and the construction industry, and the tax rate of 6% shall be applicable to other modern service industries. Up to August 1, 2013, the scope of the pilot for the Collection of Value-Added Tax in Lieu of Business Tax program had expanded to the whole country.

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017 with effect from the same day and the Implementing Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993, came into effect on January 1, 1994, and was last amended on October 28, 2011, all entities or individuals in the PRC engaging in the sale of goods, services, intangible assets or real estate, the provision of processing repairing and replacement services, and the importation of goods are required to pay VAT. The amount of VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% for those engaging in the sale or importation of goods, provision of processing, repairing and replacement services, or lease of tangible personal property, except as otherwise provided in the Provisional Regulations on Value-added Tax of the PRC.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018 and taking effect from May 1, 2018, a taxpayer who is previously subject to VAT rates of 17% and 11% respectively on VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10% respectively. As regards exported goods that are previously subject to VAT rate of 17% and are eligible for export tax rebate of 17%, their export tax rebate shall be adjusted to 16%. As regards exported goods and cross-border taxable activities that are previously subject to VAT rate of 11% and are eligible for export tax rebate of 11%, their export tax rebate shall be adjusted to 10%.

According to the Announcement on Policies related to Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》), which was promulgated on March 20, 2019 and became effective on April 1, 2019, VAT general taxpayers who conduct VAT taxable sales or import goods subject to a 16% tax rate will enjoy an adjusted tax rate of 13% while those subject to a 10% tax rate will enjoy an adjusted tax rate of 9%. For export goods subject to a 16% tax rate and export tax rebate rate of 16%, the export tax rebate rate will be adjusted to 13%; while for exported goods or cross-border taxable behaviors subject to a 10% tax rate and export tax rebate rate of 10%, the export tax rebate rate will be adjusted to 9%.

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Enterprise income tax on indirect transfer of non-resident enterprises

On December 10, 2009, the SAT issued the Circular 698. By promulgating and implementing the Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**Circular 7**”) on February 3, 2015, to supersede existing provisions in relation to the indirect transfer as set forth in the Circular 698. The Circular 7 introduces a new tax regime that is significantly different from that under the Circular 698. The Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. The Circular 7 also provides clearer criteria than the Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (the “**SAT Circular 37**”), which came into force and replace the Circular 698 and certain other regulations on December 1, 2017 and partly amended on June 15, 2018. The SAT Circular 37 does, among other things, simplify procedures of withholding and payment of income tax levied on non-resident enterprises.

Regulations in relation to foreign exchange

Pursuant to the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, taking effect on April 1, 1996 and amended on August 5, 2008 and other related regulations, no restrictions are imposed on international payments and transfers under the current account. Foreign exchange receipts and payments under the current account, such as goods and service-related foreign exchange transactions and interest and dividend payments, shall be based on true and legitimate transactions and can be processed directly at a bank against authentic and valid transaction documents. Foreign exchange receipts and payments under the capital account, such as direct equity investment and loans, shall go with registration procedures at foreign exchange administration departments, and shall also go through certain approval or record-filing procedures if the relevant laws and regulations require such approval or record-filing. The foreign exchange and settlement fund under the capital account shall be used for the purpose approved by the relevant authorities and foreign exchange administration departments.

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In February 13, 2015, the State Administration for Foreign Exchange issued the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”), pursuant to which, foreign exchange registration and approval in respect of overseas direct investment are canceled and relevant banks are authorized to review and handle foreign exchange registration in accordance with the SAFE Circular 13 and the Operational Guidance for Direct Investment Foreign Exchange Business and SAFE and its local counterparts will exert indirect supervision on direct investment foreign exchange registration via banks.

In accordance with the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), issued by SAFE on June 9, 2016, and taking effect on the same day, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement in accordance with relevant policies, may be conducted at a bank based on the actual operating needs of domestic entities. The discretionary settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. SAFE may adjust the above ratio in due time in accordance with receipt and payment balance and status.

Regulations in relation to foreign exchange registration of domestic individuals participating in stock incentive plan of overseas publicly listed company

Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) promulgated by the SAFE on February 15, 2012, PRC citizens and non-PRC citizens residing in China for a continuous period of not less than one year with the exception of foreign diplomats in China and the representatives of any international organization in China, who participate in any stock incentive plan of an overseas publicly listed company, are required to register with SAFE through a domestic qualified agent and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

Regulations relating to cybersecurity review

On November 14, 2021, the Cyberspace Administration of China (“CAC”) published a draft of the Administrative Regulations for Internet Data Security (網絡數據安全管理條例(徵求意見稿)) (the “Draft Cyber Data Security Regulations”), providing that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security; (ii) a foreign listing by data processors processing over one million users’ personal information; (iii) listing in Hong Kong that affects or may affect national security; or

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(iv) other data processing activities that affect or may affect national security. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security”. The CAC solicited comments until December 13, 2021, but there is no timetable as to when it will be enacted.

On December 28, 2021, the CAC, the National Development and Reform Commission of the PRC, the MIIT and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (網絡安全審查辦法), which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures published on April 13, 2020. The Cybersecurity Review Measures provides that, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. Pursuant to Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, (i) the relevant government authorities may initiate the cybersecurity review against the relevant operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security; and (ii) network platform operators who possess personal information of more than one million users and intend to be listed at a foreign stock exchange must be subject to the cybersecurity review.

REGULATIONS ON OVERSEAS LISTINGS

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties such as warnings and fines; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or have domicile in China; and (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible

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for all filing procedures with CSRC, and where an issuer makes an application for initial public offering and listing in an overseas market, the issuer shall submit filings with the CSRC within 3 business days after such application is submitted.

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

On February 17, 2023, the CSRC also issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知) (i.e. the Notice), which, among others, clarified that (1) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with CSRC and must complete the filing before the completion of their overseas offering and listing; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (according to the Notice, such “approval from overseas regulatory authorities or stock exchanges” include the pass of the hearing for applicants who apply for listing on the Stock Exchange) but have not completed the indirect overseas listing. If domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with CSRC according to the requirements. As confirmed by the Company, if the above requirements cannot be met, the Company will schedule the submission of the filing application in a reasonable manner after submitting the application documents for issuance and listing, and undertake not to implement the issuance before completion of filing procedures with the CSRC.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”), which will be effective on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic

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enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions.

APPROVAL OF INVESTMENT REGULATIONS

According to the Approval of Investment Regulations, direct or indirect investments made by each individual with Taiwan passport or Taiwan-incorporated entity in Mainland China through companies under its control are subject to the approval of the Taiwan Investment Commission.

The Approval of Investment Regulations also set certain limitations on the amount and business categories of investments that individuals with Taiwan passport or Taiwan-incorporated entities may make in the Mainland China.

Other than investments in prohibited or conditionally permitted categories, if the total investment amount of each individual with Taiwan passport or Taiwan-incorporated entity in a single Mainland China entity does not exceed US\$1 million (the “**Original Quota**”), these persons can report to the Taiwan Investment Commission within six months after the investment was made. If such individual or entity’s investment in a single Mainland China exceeds US\$1 million, they are required to obtain the Taiwan Investment Commission’s prior approval before conducting such investment. In addition, individuals with Taiwan passport are also restricted by the Annual Investment Quota of US\$5 million per year for investments in Mainland China.

As of the Latest Practicable Date, our Taiwan Shareholders indirectly held in aggregate approximately 64.5% of our Shares. As advised by our Taiwan Legal Advisors, since our Founders are holders of Taiwan passports, their indirect investment in our operating subsidiary in Mainland China is subject to the approval of the Taiwan Investment Commission, and the above investment shall be categorized under the general items (i.e. not businesses where investment by investors with Taiwan passport or are Taiwan-incorporated entities is prohibited or conditionally permitted) pursuant to the Approval of Investment Regulations. Our Taiwan Shareholders had filed their respective indirect investment in our operating subsidiary in Mainland China with, and obtained the approval thereof from the Taiwan Investment Commission, and as advised by our Taiwan Legal Advisors, our Taiwan Shareholders had fulfilled all relevant legal requirements in respect of their investment in our Group as required under Taiwan laws.

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Any additional investment by each of our Taiwan Shareholder(s) in the future will be subject to prior approval by the Taiwan Investment Commission (if the total investment made by such Taiwan Shareholder in a single Mainland China entity exceeded the Original Quota). Each of our Taiwan Shareholders are also subject to the Annual Investment Quota.

Based on our Taiwan Legal Advisors' interpretation and its consultation with the Taiwan Investment Commission, we believe that the Taiwan Investment Commission would likely take the position that as long as our Taiwan Shareholders are interested in our Shares, certain equity capital increase by us into our subsidiary(ies) in Mainland China will be considered as additional indirect investment by our Taiwan Shareholders. The amount of investment made by each Taiwan Shareholder will be determined with reference to their shareholding in our Company. If the Taiwan Investment Commission takes that position, each of our Taiwan Shareholders will be required to obtain an approval from the Taiwan Investment Commission for their equity capital increase. As advised by our Taiwan Legal Advisors, based on the current practice and policy of the Taiwan Investment Commission, our Taiwan Shareholders are not expected to have any legal impediment in obtaining approval from the Taiwan Investment Commission for equity capital increase into our Mainland China subsidiaries in the future so long as each of our Taiwan Shareholders complies with the Approval of Investment Regulations and the equity capital increase does not exceed the Original Quota (if applicable) or the Annual Investment Quota. We cannot guarantee that the current practice and policy of the Taiwan Investment Commission will remain the same in the future.

Based on our Taiwan Legal Advisor's interpretation of the case study provided in the Foreign and Mainland China Investment Regulations and Case Sharing (對外及對大陸投資法規與案例分享) published by the Taiwan Investment Commission in 2022, equity capital increase by us into our Mainland China subsidiaries using proceeds from the Global Offering will not be counted towards the Original Quota or Annual Investment Quota of each Taiwan Shareholder as such proceeds represent funds received by us from third party investors. Intra-group loans or transactions (such as issuance of bonds) conducted by our Company or our group companies at the subsidiary level are also not counted towards the Original Quota or Annual Investment Quota of each Taiwan Shareholder as they are not considered as an investment act. However, if we conduct equity capital increase into our Mainland China subsidiaries using funds such as our borrowings or internal resources, they will be counted towards our Taiwan Shareholders' Original Quota or Annual Investment Quota, because the use of our internal resources are considered as capital gain of the initial investment provided by them. When our Taiwan Shareholders report their investment in Mainland China to the Taiwan Investment Commission to obtain its approval, they shall substantiate source of fund used for the equity capital increase if the authority enquires. Our Taiwan Shareholders are entitled to receive dividend declared by our Company.

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The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct an analysis of, and to report the China's social e-commerce and IP creation and operation industry at a fee of approximately RMB1,130,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc.. Its consulting team has been tracking the latest market trends in e-commerce, consumer goods, environment, industry, energy, chemicals, healthcare, transportation, agriculture, finance, etc., and has the relevant and insightful market intelligence in the above industries.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics, International Monetary Fund, etc.. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) relevant key industry drivers are likely to drive the social e-commerce and IP creation and operation market in China during the forecast period; and (iv) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report of CIC. The Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the consultancy report.

OVERVIEW OF CHINA'S SOCIAL E-COMMERCE INDUSTRY AND IP CREATION AND OPERATION INDUSTRY

China's online retail market has experienced booming development during the past five years. The total online retail sales value in China, reached approximately RMB13.8 trillion in 2022 from RMB7.2 trillion in 2017 and is expected to further grow at a CAGR of 10.0% to RMB22.2 trillion by 2027. The expansion of online retail market in China has been continuing, underpinned by the increasing purchasing power and the development of new retail business models. The e-commerce market in China is relatively concentrated, mainly dominated by Taobao (淘寶), Tmall (天貓), JD.com (京東) and Pinduoduo (拼多多), with their combined market share accounting for about 90% in terms of GMV in 2022.

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By definition, new retail business is a business model that: (i) combines online and offline commerce through the digitization of the entire retail value chain for the benefit of the merchants, the distributors (if any), the consumers, and the company; (ii) leverages digital payments data to create new efficiencies and capabilities in logistics, marketing, and product development; (iii) supports merchants with new tools and insights that cut costs and drive sales; and (iv) offers customers a seamless and customized shopping experience across the online and offline spaces (e.g. via interactions between distributors and end consumers through communications on social media and messaging apps or participation of offline meetings, such as annual events, conferences, meetings and/or face-to-face sales at distributors' retail shops).

China's new retail market refers to a business that converges online and offline commerce through the digitization of the entire retail value chain for the benefit of both the merchant, the consumer, and the company enabling this transformation. And the company in new retail markets operates new products sales channels which different from traditional e-commerce, such as sales in WeChat (微信), *Douyin*, *XiaoHongShu* (小紅書) and *Kuaishou*, etc.. The Company's business model that utilizes its distributors and customers' online community and offers customers a seamless and customized shopping experience is viewed as one of the forms of "new retail business". The segmentation of China's new retail market includes social e-commerce industry which is further enhancing the development of China's new retail market. China's new retail market leverages digital payments data to create new efficiencies and capabilities in logistics, marketing, and product development; to support merchants with new tools and insights that cut costs and drive sales; and to offer customers a seamless and customized shopping experience across the online and offline spaces.

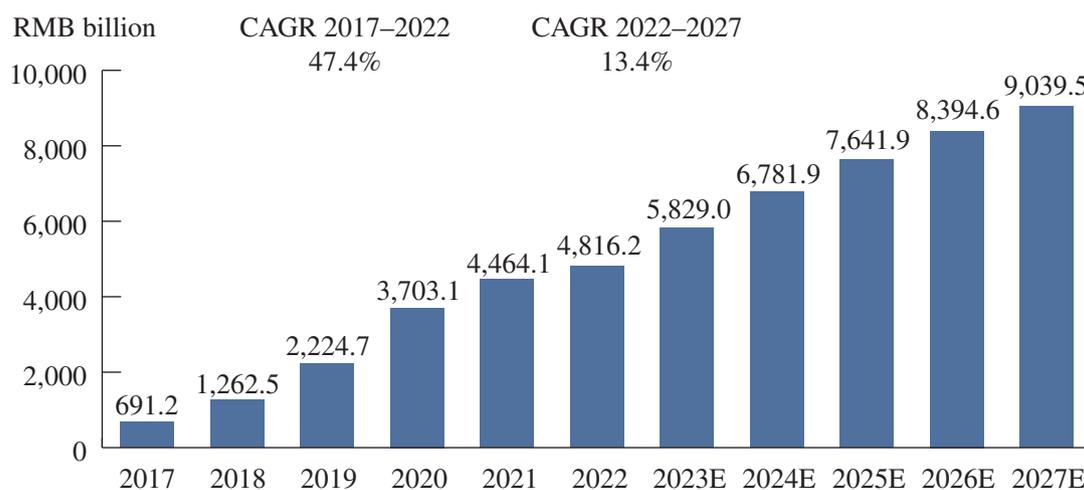
The market size of new retail markets in China increased from RMB0.0 trillion to RMB2.3 trillion from 2017 to 2022, representing an impressive CAGR of 125.2%. New retail market develops at a fast pace and will further penetrate China's retail market, in the foreseeable future, from 2022 to 2027, China's new retail market is projected to grow at a CAGR of 18.5%. By 2027, it is forecasted that China's new retail market will reach a new high of RMB5.3 trillion.

Traditional e-commerce is a consumer search-based model where the purchasing process is initiated by customers' searching on e-commerce platforms and placing orders based on their immediate demands. On a traditional e-commerce platform, the commodity information is normally centralized and independent consumers rarely interact with each other. Traditional e-commerce has become increasingly inefficient and presented a number of challenges to various stakeholders. For consumers, overflow of information on traditional e-commerce platforms became a pain point, while for merchants, they are troubled by increasing consumer acquisition costs on traditional e-commerce platforms and difficulty in building brand awareness. In light of these challenges, social e-commerce, defined as the sharing-based online shopping model built on consumers' social networks and communities, has emerged as a solution. The benefits of social e-commerce include providing more accurate recommendation and source of information for consumers, improving brands awareness by social connections, and reducing the costs of consumer acquisition by leveraging community-building. Some market participants in China's social e-commerce industry are also empowered by IPs, which enable social e-commerce companies to attract considerable traffic from fans base, usually helps the companies to enhance the value and enrich the content of the brands and products.

China's social e-commerce industry has experienced substantial growth over the past few years in terms of GMV, reaching approximately RMB4,816.2 billion in 2022 from RMB691.2 billion in 2017, with a CAGR of 47.4%. It is expected to keep growing at a CAGR of 13.4%, reaching RMB9,039.5 billion by 2027, according to CIC.

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Market size of social e-commerce industry, in terms of GMV, China, 2017–2027E



Source: the CIC Report

Business model of social e-commerce

Social e-commerce enables customers and distributors to conveniently browse, make purchases, share, promote and facilitate online transactions through their social networks by providing features such as IT infrastructure support, embedded marketing tools and content. China's social e-commerce industry mainly consists of the following four business models:

Community-based social e-commerce model, where brands or individuals operate e-commerce business through social media apps (mainly in WeChat). Based on their strong personal social network, brands and individuals can generate social exposure through WeChat official accounts, WeChat mini programs, WeChat Moments, or WeChat groups to attract and engage with fans and consumers.

Membership-based model, where one has to become a member of the platform before enjoying some member-exclusive rights. Only members of the platform can get access to the products. New members are usually invited by existing members through social media. Members can share and recommend products through social networks and essentially function as sellers on the platform and earn commission fees.

Content-sharing model, where consumers are attracted by shopping experience sharing, recommendations and reviews. It functions as a community to discover and share information of good products among a group of people with similar interests.

Group purchase model, where consumers form a group to purchase products, typically at competitive prices, and are encouraged to invite others to join the group.

Categorisation of IP derivatives in China

Intellectual property (IP) refers to the properties that include intangible creations of the human intellect, consisting of copyrights, patents, trademarks, and etc. The properties could contain various IP types in different nature, including literature, films and TVs, games, cartoons and animation, music, live concerts, celebrities, art and etc.. Successful IPs can bring about

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considerable commercial value besides the value of their original formats through IP derivatives. IP derivatives can be divided into the following three major categories:

Merchandise derivatives, refer to branded products developed and sold by licensees after they acquire authorization from IP owners to use popular IPs for the benefit of business interests. The authorization is normally valid for a specific period of time in a specific geographical area.

Space derivatives, refer to themed events or space decoration, such as conventions, exhibitions, themed stores and theme parks that incorporate IP and related concepts for the purpose of providing immersive experiences as well as selling IP-related products.

IP-adaptation entertainment content, refer to entertainment content, mainly consisting of games, films and TV dramas, animation, etc., that are adapted from IPs.

The linkage and synergy between social e-commerce and IP creation

IP creation becomes social e-commerce company's assets, social e-commerce company with IP background do not need to pay extra IP licensing fees and company can freely leverage its IP assets to do commercial realization transactions, which is a huge competitive advantage that compare to another industry players.

IPs can bring about considerable commercial value besides the value of their original formats through IP derivatives, social e-commerce company can authorize its IPs value to another branded companies or own subsidiary, with different forms of IP derivatives, such as merchandise derivatives, space derivatives and IP-adaptation entertainment content, in order to obtain a considerable sales value of IP derivatives and profits.

IPs can bring a considerable audience base which has strong emotion links with the IPs to social e-commerce company. With the huge fan base of company's IPs assets, which enable the social e-commerce company enhances its IPs commercial value and leverages IP-based marketing strategy to effectively improve the value and enrich the content of the social e-commerce company's brand and products, and can attract the fan base of the IPs to their brands and products.

The empowerment and benefit of IP-based marketing for social e-commerce platforms

The social e-commerce platforms, which embedding suitable IPs and related elements and concepts to products, product packages, free gifts, etc., can effectively gain the following advantages:

IPs diversified the social e-commerce company's business model. The social e-commerce company can leverage its IPs assets to create different forms of IP derivatives, such as embedding IPs into its merchandise products, themed events, space decoration and entertainment content, etc., which brings company a huge development potential based on a diversified business model.

IPs improve social e-commerce company's brand awareness. IPs normally have a considerable audience base which has strong emotion links with the IPs. Through using IP-based marketing, companies can effectively enhance the value and enrich the content of their brands and products, and can attract the fan base of the IPs to their brands and products.

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IPs bring impressive marketing and sales effects to social e-commerce company. The quality of IP resources can enhance the core competitiveness of social e-commerce platforms. The IP image, IP influence and IP quality can determine the marketing effects of the downstream IP derivatives. Consumers in China is bombed by overwhelmed marketing information and their attraction is distracted as a result of emergence of increasingly diverse marketing channels. Quality IPs have premium content for business entities to utilize and process into good marketing materials, and the organic combination of quality IPs and suitable products or services can stir up great sparks and bring fun to consumers. All of which prove that leading IP resources tend to bring impressive marketing and sales effects to business entities.

IPs enhance the social e-commerce company's consumers stickiness and community bonding. Fans with strong emotion links with IPs can easily be cultivated by IP-based social e-commerce company into highly sticky consumers, KOCs and KOLs to company's brand through the strong IPs influence. The effect brought by loyal communities and consumers will further raise company's brand awareness and enable company to acquire new consumers at lower costs.

IPs can reduce social e-commerce company's advertising cost. IPs can enable company to freely use IP-based marketing strategy with IPs naturally huge fan base to achieve a wider brand or product exposure, which is huge competitive advantage that compare to industry players who still using traditional digital marketing.

Market drivers of IP industry

The rapid growth of pan-entertainment industry in China. As a number of IPs are derived from pan-entertainment content, the prosperity of China's pan-entertainment is expected to facilitate the growth of China's IP creation and operation industry. The growing demand for entertainment consumption in China are expected to further facilitate the growth of pan-entertainment industry in China, and therefore drives the development of IP creation and operation industry.

Large number of IP fans. Over the past years, the prevalence of fan economy in the PRC has further driven the development of the entertainment and character IP licensing market. Particular IPs including animation characters, celebrity and music can easily accumulate large number of fans, which had become the main consumption power of IP derivative products and services.

Enhanced purchase power. The improved consumption level have led to a boost in consumers' demand for unique and differentiated commodities. IP-related commodities can convey a special emotion links between consumers and IPs through such commodities, which are able to satisfy consumers' taste for unique and differentiated commodities and are expected to be welcomed by Chinese consumers. As a number of IPs are derived from pan-entertainment content, the prosperity of China's pan-entertainment is expected to facilitate the growth of China's IP creation and operation industry.

Competitive advantage of the Company's IP resource

As of March 22, 2023, Jay Chou's official account on *Kuaishou*, *ChouMate* had over 52 million subscriptions, ranking first among all celebrities on *Kuaishou*, in terms of the number of fans of official accounts. Such account of Mr. Jay Chou on *Kuaishou* was not used to promote any of our Group's products. Such leading position on *Kuaishou* has reflected the considerable influence of *ChouMate*.

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J-Style Trip season one was broadcast during 22:00 to 24:00, every Saturday on Zhejiang Satellite TV from March 2020 to June 2020, and was also aired on Mango TV (芒果TV) and Netflix.

Based on the viewership ratings published by CSM Media Research Co., Ltd (中國廣視索福瑞媒介研究有限公司) (being one of the major providers of data of TV programs ratings in the PRC) (“CSM”), *J-Style Trip* season one recorded an average rating of 1.165% and ranked first among the TV reality shows broadcasted during the same timeslot from March to June 2020. The average ratings of the following two TV reality shows reached 0.747% and 0.697%, respectively.

Competitive landscape in China’s entertainment industry

| The ranking | TV reality shows broadcast from March to June 2020 | Average rating published by CSM |
|-------------|--|---------------------------------|
| 1 | <i>J-Style Trip</i> season one (周遊記1) | 1.165% |
| 2 | The Sound season three (聲臨其境3) | 0.747% |
| 3 | Dear, Come To Eat (親愛的,來吃飯) | 0.697% |
| 4 | If you are the one (Rebroadcast) (非誠勿擾) | 0.467% |
| 5 | Me to Us (我們的樂隊) | 0.373% |

In addition, based on the average rating published by CSM, *J-Style Trip* season one ranked 27th among all TV reality shows broadcasted during 2020.

The number of Mr. Liu Keng-hung’s followers has been increasing since April 2022, with his *Douyin* followers growing from approximately 5.0 million on April 12, 2022 to 65.4 million on May 12, 2022, and to 71.5 million as at December 31, 2022. Only a few phenomenal accounts on the *Douyin* platform can reach a monthly increase of more than 10 million fans, while Mr. Liu Keng-hung increased his fan base by more than 60 million within a month, surpassing Mr. Andy Lau’s record of 50 million within one month and becoming the account with the highest monthly increase in the history of *Douyin*.

Mr. Liu Keng-hung’s popularity as a fitness enthusiast was consistent with his track records, where he has been working as a fitness trainer for many years, which helped him in building the IP of fitness icon.

Mr. Liu Keng-hung has accumulated 164 million likes for his works on *Douyin*, making him the third most popular *Douyin* KOL account in terms of number of followers. His *Douyin* topic “Ben Cao Gang Mu Exercise Challenge” (本草綱目毬子操) has been played 15.3 billion times.

Leading entertainment content including films and TVs, and live concerts can draw great attention from audience, thus are suitable for advertising placements. By integrating social e-commerce company’s products and brands into entertainment content, brands and products can achieve considerable exposure and increase awareness among targeted audience, thus boosting product sales.

Key drivers of China’s social e-commerce industry

Increasing mobile internet usage, especially on social media apps. The proliferation of mobile internet has developed significantly, the new generation of consumers spends more time

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on mobile internet, especially on social media apps, and the scale of social media apps users has been increasing in recent years. According to CIC, consumers' average daily time spent on mobile internet has been quickly growing from approximately 4.5 hours in 2017 to 7.1 hours in 2022 per day, representing a CAGR of 9.5% between 2017 and 2022. There is also an increasing tendency to share one's everyday life, including shopping needs and experience through actively using social media, such as WeChat and Weibo. The monthly active users on WeChat increased from 1.0 billion accounts in 2017 to close to 1.3 billion accounts in 2022, representing a CAGR of 5.9%. The rising scale and penetration of social media apps users reflects that there are more consumers becoming aware of social e-commerce business, which is expected to boost the social e-commerce business in China in the future.

Increasing tendency to share shopping experience. Young people in China are more willing to share their personal life and shopping experiences online to their friends and families, and their purchasing decisions are more prone to be influenced by KOLs, KOCs, communities and social networks, which provides a huge potential for the growth of social e-commerce industry.

Emergence of wider social connections. According to CIC, online social network has expanded from personal and familial relationships to communities and groups of common interests, which has become a major source of information acquisition and distribution, hence influencing one's decision making in various aspects, including shopping decisions.

Increasing demand on more personalized and accurate information for online shopping. According to CIC, in traditional e-commerce industry, the overflow of information became a pain point. There are huge amount of products and information available on the e-commerce platform, such information is often unilateral, and difficult for consumers to relate to and rely upon. This drives the increasing demand on more personalized and accurate information for online shopping. In light of these challenges, multiple and diversified shopping business models are emerging in China's e-commerce market, driving the growth of the social e-commerce market in China.

Spontaneous shopping. The emergence of social e-commerce facilitates the omni-channel marketing of products. Social e-commerce, empowered by the advancement of mobile internet, the mobile payment technology, cloud computing, big data technology and etc., can provide consumers with a seamless, integrated and highly personalized shopping experience as well as access to an increasingly diversified range of products. This generates numerous new consumption scenarios for consumers to shop anywhere, anytime, thus facilitating the market of social e-commerce.

Government support. Social e-commerce creates a novel way of e-transaction. It provides information distribution networks connected by social media, offers trustworthy and cost-effective product choices with less time commitment, and lowers customer acquisition and retention costs. Social e-commerce business has been growing rapidly and became increasingly prosperous during recent years in China and government has been more proactive in encouraging innovation to develop new business models, such as social e-commerce. Furthermore, in order to distinguish social e-commerce from pyramid selling, The Standing Committee of Kunshan Municipal People's Congress had introduced supportive measures to establish pilot zone in Kunshan as the first city for the sustainable development of social e-commerce, which is one of the major future new business models, according to CIC. The establishment of such pilot zone is a measure commonly adopted by the PRC government to support the development of new forms of business such as Cross-border e-commerce pilot zone (跨境電商綜合試驗區) since 2012, new retail pilot zone in Hangzhou (杭州新零售試驗區) since 2018 and Smart City pilot zone (智慧城

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市試驗區) since 2012, etc. On December 25, 2020, the Eighth Inter-provincial Level Joint Conference on Kunshan Pilot Zone (昆山試驗區部省際聯席會議第八次會議, the “**Eighth Joint Conference**”) was held in Kunshan. According to the meeting minutes of the Eighth Joint Conference, various supportive measures were proposed on the Eighth Joint Conference to deepen the cross-strait industrial cooperation. It was also resolved that the Administration for Market Regulation and Development and Reform Commission shall support the development of innovative business models such as social e-commerce in Kunshan Pilot Zone, and carry out pioneering work in data sharing and law enforcement cooperation for the purpose of encouraging innovation while maintaining its prudence and adhering to its principles. To further supplement the supportive measures set out in the Eighth Joint Conference, the Progress Meeting on Social E-commerce Pilot Enterprises (社交電商試點推進會議, the “**Progress Meeting**”) hosted by Kunshan Development and Reform Commission was held on March 16, 2021 and Kunshan Star Plus Action has become the first social e-commerce pilot enterprise in the Kunshan Pilot Zone. It is expected that the government support provide a strong growth basis and will drive the future development of social e-commerce industry in China.

The empowerment of IP is expected to drive the growth of social e-commerce industry. Embedding a suitable IP, especially celebrity IP, which can bring huge traffic to the social e-commerce company’s brand and products. IP owners can commercialize their IP assets through different IP transaction methods such as licensing, IP asset sales and franchising, or through direct participation in the development and sales of IP derivatives, which enable the company facilitate business growth. Therefore, the empowerment of IP becomes an increasing popular marketing strategy and further driving the growth of social e-commerce industry.

Key trends of China’s social e-commerce industry

Evolvement of marketing strategy. The marketing strategy of market players will evolve from marketing through personal acquaintances to marketing through communities, KOCs and KOLs. Marketing through personal relationship has only limited range of consumers, as acquaintances might not have similar interests in specific products or services. Communities, KOCs and KOLs can match those who have similar demands and provide an efficient approach for online stores to reach a huge amount of target consumers. Therefore, more products and service are expected to be promoted through communities, KOCs and KOLs in the future.

Increasing product categories. Along with the consumption upgrade, consumer demand in China is becoming more diversified, resulting in preferences towards companies that have various products. To capture consumers’ needs, companies will continuously expand their product mix.

Improving consumer services and quality control. Consumer services and quality control management are two major pain points for social e-commerce, which consumers are highly concerned about. Many online merchants at present are lack of services and thus unable to retain consumers as well as achieve sustainable development. To solve such issues, more social e-commerce market participants tend to construct professional consumer service teams and quality control management teams to enhance their competitiveness and increase consumer loyalty.

Increasing using IP-based marketing strategy. Over the past years, the prevalence of fan economy in China has further driven the development of the entertainment and character IP licensing market. Therefore, particular IPs including animation characters, celebrity and music can easily accumulate large number of fans, which had become the major marketing strategy for social e-commerce company to promote their product and enhance the brand value.

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Entry barriers

User acquisition and engagement. An active community with robust growth is crucial to the development of a social e-commerce. With rising competition in the e-commerce industry, the cost of acquiring new users and maintaining high user stickiness has increased.

Quality control of products. Product quality is crucial for social e-commerce, as e-commerce might be materially and negatively impacted by any product quality issues, including but not limited to potential penalties, litigation and reputational harm. New entrants usually need a period of time to establish a sound quality control system, and therefore, product quality control remains a barrier.

Strong brand recognition. consumers normally prefer social e-commerce company with good credit. Any negative news about the e-commerce company will impose long-term and extensive negative impact on the future development. Hence, good brand recognition can help win customers' trust and loyalty. Existing social e-commerce companies have already built up a good reputation given their outstanding service offerings, especially the company who owned the celebrity IP background already easily built up the company's brand recognition which is an exclusive and inimitable brand. Therefore, new entrants may find it rather hard to establish good brand reputation in short run while also competing with other players.

Strong distribution capability. One of the most important elements of the social e-commerce industry is the wide application of social networks in merchandise marketing. Communities and distributors with loyalty are the foundation of social e-commerce marketing in this industry. A social e-commerce company needs to develop a comprehensive system with sound incentive and supervision mechanism to manage their distributors and to strengthen distribution capability. New entrants that lack experienced distributors and expertise in distributor management may fail to survive in the market.

Key success factors

Social e-commerce company who owns successful IP background will have strong community bonding and highly sticky consumers. Since wide application of social networks in merchandise marketing is vital to the market players who owned successful IPs background can efficiently maintain strong community bonding and cultivate a large amount of highly sticky consumers, KOCs and KOLs to their brands through the strong IPs influence which can attract large fan based traffic. The effect brought by loyal communities and consumers will further raise market players' brand awareness, and enable them to acquire new consumers at lower costs.

Celebrity IP has great attractiveness to traffic naturally. Competition in social e-commerce is relatively fierce. Attractiveness to traffic is important for social e-commerce market participants to achieve cost-efficient mass consumer procurement. IPs, especially celebrity IP can bring great brand recognition to social e-commerce market participants at very short notice, which can in turn help promote the products and drive traffic to social e-commerce. Meanwhile, social e-commerce associated with celebrity IPs enable to expedite the brand awareness, further to leveraging on the large number of fans base and brand endorsement of celebrity IPs which is conducive to convert fans of celebrity IPs into consumers, and therefore boost the product sales more easily.

Full-serviced model enabling users to engage in buying and marketing of products easily. An integrated full-serviced social e-commerce enables KOCs and distributors to easily navigate, share, create content and interact with consumers, providing enjoyable on-purchase and

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after-sale services and familiarizing consumers with the product information and true user experience. Additionally, under the full-serviced model, the influencers and distributors are also provided with systematic marketing training on effective sharing, content creation and customer interaction. Meanwhile, centralized order system and logistics services are implemented to guarantee the completion of sales. Such model is likely to achieve higher consumer stickiness, as it fulfills different needs of both consumers as buyers and as promoters of the products, and is able to transform a customer into a distributor or influencer.

Advanced IT infrastructure. As the online retail market in China grew rapidly over the past five years, an advanced IT infrastructure has become crucial for company to handle sales and logistic data. Moreover, for social e-commerce, leveraging consumer relationship management (CRM) and big data analyzes on consumers' needs and feedback would enable them to better understand the market trends. Also an advanced IT system is helpful for the quality control of company's products to avoid counterfeit enter into market, improving consumers shopping experience.

CHINA'S COMMUNITY-BASED SOCIAL E-COMMERCE INDUSTRY

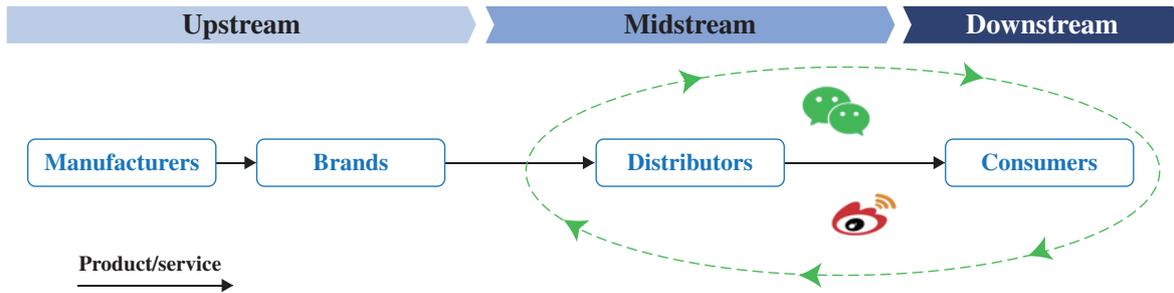
The China's community-based social e-commerce industry comprises various models, including (i) community-based model; (ii) membership-based model; (iii) content-sharing model; and (iv) group purchase model. The community-based social e-commerce industry can be further broken down by product types, including consumer health and beauty and personal care industry. The following diagram illustrates the sub-segments of the China's community-based social e-commerce industry:



Source: the CIC Report

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Value chain of community-based social e-commerce model



Source: the CIC Report

Upstream: Social e-commerce companies mainly focus on product development and brand building. In the community-based social e-commerce model, social e-commerce company either produce the products by themselves or outsource the production to third party manufacturers and then distribute the products through distributors.

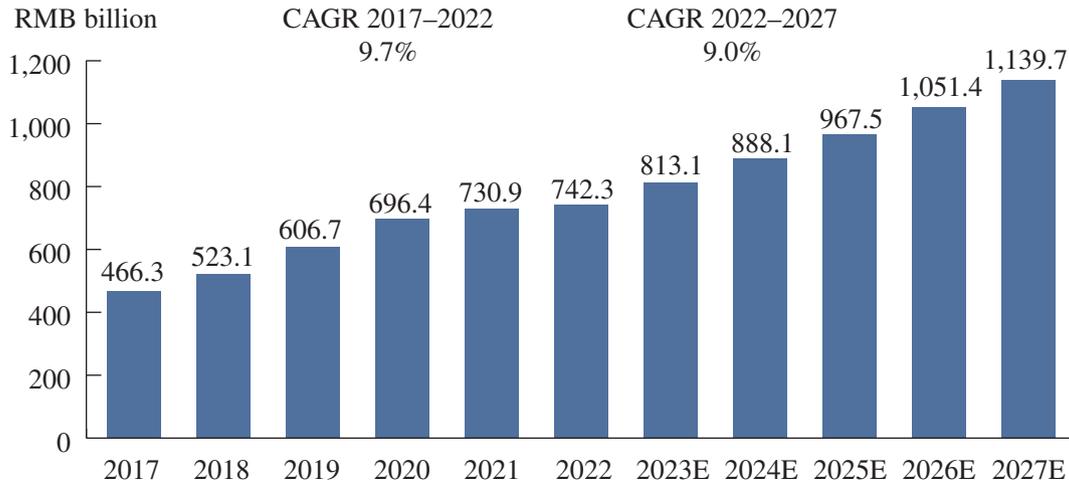
Midstream: Community-based social e-commerce model involves different layers of distribution. It is common in the industry that the social e-commerce company would engage an independent third party distribution agent, to assist with distributor management and training as well as sales and marketing activities pursuant to the distribution agreement while the social e-commerce Company mainly focus on product development and brand building. The distribution agent would engage multiple distributors and sub-distributors. The social e-commerce company would provide various discounts or rebate arrangement with distributors and/or sub-distributors based on amount of purchases and other factors. Each level of distributors are also able to directly sell products to consumers at a guide price pre-stipulated by the social e-commerce company. Given the sub-distributors are usually small-scale or even personal merchants, most of them may not be able to and not willing to enter a formal contractual relationship with social e-commerce company. It is a common industry practice that the social e-commerce company would provide a standard sub-distribution agreement to distributors which they are required to use when they enter into a contractual relationship with their sub-distributors. Alternatively, distributors can establish a business relationship with their sub-distributor by placing purchase orders with the social e-commerce company on behalf of the sub-distributors.

Downstream: Each layer of distributors engages with consumers through social media apps (such as WeChat) and therefore generate sales of products.

According to CIC, community-based social e-commerce industry has experienced rapid growth in China, its market size growing from RMB466.3 billion in 2017 to RMB742.3 billion in 2022, representing a CAGR of 9.7%, and is expected to grow at a CAGR of 9.0% to RMB1,139.7 billion in 2027.

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Market size of China's community-based social e-commerce industry, in terms of GMV, China, 2017–2027E



Source: the CIC Report

By product type, China's community-based social e-commerce industry mainly consists of consumer health, beauty and personal care, and other product categories such as apparel, food and beverage, etc.

China's consumer health segment in community-based social e-commerce industry

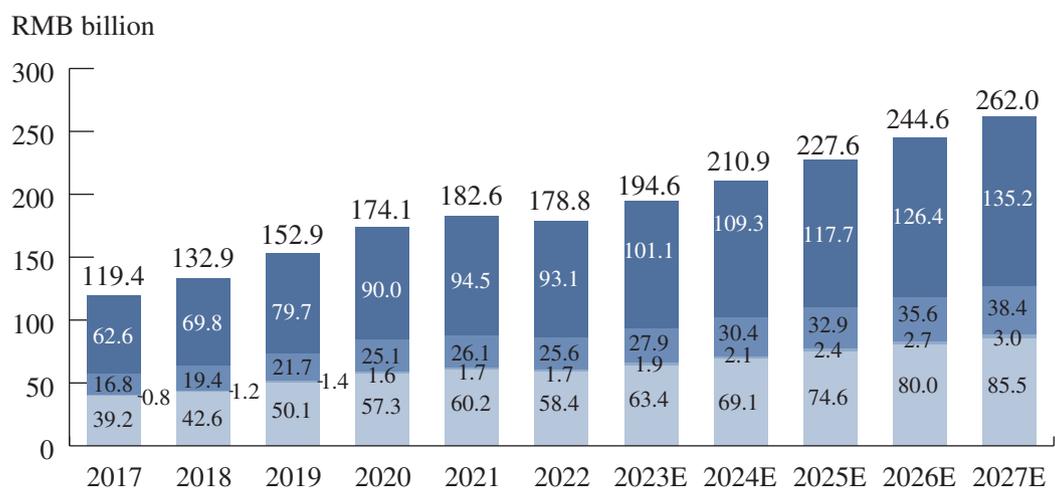
China's consumer health market is mainly comprised of vitamins and dietary supplements, sports nutrition, health management products and other products. The market size of consumer health community-based social e-commerce industry increased from RMB119.4 billion to RMB178.8 billion in terms of GMV, at a CAGR of 8.4% from 2017 to 2022. China's consumer health community-based social e-commerce industry is expected to maintain strong growth momentum in the foreseeable future, reaching reaching RMB262.0 billion by 2027, at a CAGR of 7.9% between 2022 to 2027.

In the sub-market of consumer health, China's health management products can be further categorized into five sub segments including meal replacement, OTC obesity, slimming teas, supplement nutrition drinks and weight loss supplements. The market size of health management community-based social e-commerce industry increased from RMB16.8 billion to RMB25.6 billion in terms of GMV, at a CAGR of 8.8% from 2017 to 2022, and is expected to further grow and reach RMB38.4 billion by 2027, at a CAGR of 8.4% from 2022 to 2027.

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Market size of China's consumer health community-based social e-commerce industry, in terms of GMV, by product type, 2017–2027E

| | CAGR 2017–2022 | CAGR 2022–2027E |
|------------------------------------|----------------|-----------------|
| ■ Vitamins and dietary supplements | 8.3% | 7.7% |
| ■ Health management | 8.8% | 8.4% |
| ■ Sports nutrition | 15.1% | 12.2% |
| ■ Others | 8.3% | 7.9% |
| Total | 8.4% | 7.9% |



Note: others include plasters and foot bath powder, etc.

Source: the CIC Report

The concept of the low-carbohydrate diet

The low-carbohydrate diet plan is a diet that substitutes nutrition and energy intake of carbohydrates such as rice, flour or sugar with foods high in protein and fat percentages and other low-carb foods as the main nutritional supplement to meet the plan's fat/energy ratio, such that the ratio of carbohydrates in energy supply structure is less than 10% and is commonly useful for people trying to lose weight or suffering from epilepsy or diabetes. Based on existing medical research and common knowledge of related experts, overweight and obese population aged between 18 years old to 65 years old that have explicit willingness to lose weight and receive guidance on low-carbohydrate diet.

The advantages of low-carbohydrate diet for weight loss includes (i) more intake of protein and fat will lead to inhibition of hunger and calorie intake; (ii) low-carbohydrate diet act to rid excess water from the body, lowering insulin levels and leading to rapid weight loss in short term; and (iii) compared with traditional low-calorie weight loss solutions that have strict restriction on calorie intake, allowing less food alternatives, low-carbohydrate diet spares of calorie restriction and allows more food selection, helping people to insist on weight loss.

China's bulletproof drink market

The concept of bulletproof coffee was first introduced in 2004 in the U.S. and commercialized in China since 2016. As a new diet trend emerging from 2010 afterwards in China, bulletproof drink market has experienced a relatively rapid growth during the past few

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years. The market size of China's bulletproof drink market increased from RMB0.5 billion to RMB2.2 billion in terms of GMV, at a CAGR of 34.6% from 2017 to 2022.

In 2020, the COVID-19 outbreak caught the world by surprise and the extent of its societal and economic impact was unclear, which mildly affected Chinese people's consumption behavior. In addition, the static management control measures implemented were precisely targeted to specific regions, as the majority of people's daily lives were not severely affected. The first static management control measures began in Wuhan on January 23, 2020, which lasted until April 8, 2020. At the end of January 2020, static management control measures were implemented by the PRC governmental authorities across the country as people were suggested to cut back on outdoor activities. Gathering activities were halted and regional traffic controls were imposed to curb the spread of the disease. Around one month later, national transportation and production activities resumed across the PRC.

In 2021, the Delta variant of COVID-19 appeared in Guangzhou, Shenzhen, Nanjing, Xi'an and many other places, resulting various small-scale static management control measures being implemented in only middle and high risks neighborhoods. For regions with emerging outbreaks, public gatherings and events were canceled, and transportation was also affected. The outbreak of delta variant of COVID-19 in 2021 involved fewer cases than in 2020, but it was more widespread, so the static management control measures affected more places. As regional static management control measures became common, people's income and consumption behaviors were adversely affected, especially on unnecessary expenditures like health management products.

During 2022, the Omicron variant of COVID-19 was raging across the globe and many regions in China were severely affected. Starting in March 2022, Shanghai and Changchun, Jilin province, entered into city-wide static management control measures for two months and 48 days, respectively. The outbreak in Shanghai was the largest urban cluster of aggregated infections in mainland China after the outbreak in Wuhan in early 2020. As Shanghai is China's economic and logistics hub, the two-month static management control measure in Shanghai had a major adverse impact on the Chinese economy. Furthermore, outbreaks in other major cities, such as Beijing and Changchun, also adversely impacted the economy, causing downturns in consumption. Thus, the impacts of pandemic on the overall retail sector in 2021 and 2022 were much severe than in 2020. In the second half of 2021 and the first half of 2022, China's economy was severely affected by various static management control measures across the country, resulting in slower-than-expected growth in the bulletproof coffee market in 2021 and downward predictions for the first half of 2022.

In the future, as the pandemic weakens and the PRC government aiming to boost consumption with policies, overall consumption is expected to recover from prior negative activities and the bulletproof drink market is expected to resume growth. The General Office of the State Council issued the "Opinions on Further Unleashing Consumption Potential and Promoting the Sustained Recovery of Consumption" in late April 2022. The provincial and municipal governments have studied the guidelines and drafted several supporting measures to promote consumption in their respective regions. Driven by the macro economy, the bulletproof drink industry is expected to resume year-on-year growth in the second half 2022, reaching a level close to the first half of 2021, as the overall economy is predicted to stabilize and rebound.

Leading companies in the industry has accomplished market education resulting in the total number of bulletproof drink consumers reaching 1.6 million in 2022, representing a CAGR of 34.6% from 2017 to 2022. The penetration rate of consumers out of obesity population aged over 18 years old in China has increased from 0.07% in 2017 to 0.27% in 2022. However, in

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2022, the overall Chinese economy was affected negatively, as consumption level decreased with the provisional resurgence of the pandemic. In April 2022, both Manufacturing Purchasing Managers' Index and Synthesized Purchasing Managers' Index had reached the lowest record since March 2020. For the six months ended June 30, 2022, the bulletproof drink market in the PRC recorded a year-on-year decline of approximately 46.2% as compared to the corresponding period in 2021. Total number of consumers of bulletproof drink in 2022 will also decrease compared to 2021. On July 15, 2022, the National Bureau of Statistics (NBS) announced that China's GDP grew 2.5 percent in the first half (H1) of 2022, compared to the same period in the previous year. The International Monetary Fund (IMF) then revised its forecast for China's economic growth to 3.3% annually, meaning H2 2022 is likely to achieve an estimated 4.0% growth compared to H2 2021. Starting 2023, Chinese economy is predicted to stabilize and resume rational growth, as GDP is foreseen to rise by 4.6% under IMF forecast, the bulletproof drink industry will grow as total number of bulletproof drink consumer will also expand and continue to show a rising tendency. The total beverage market in China increased from RMB521.2 billion in 2017 to RMB606.2 billion in 2022 at a CAGR of 3.1%. It is expected to grow to RMB733.4 billion in 2027, representing a CAGR of 3.9% from 2022 to 2027.

Market size of China's bulletproof drink industry, in terms of GMV, China, 2017–2027E



Source: the CIC Report

Key drivers of China's health management and bulletproof drink industry

Lightweight trend and on-the-go lifestyles boost demand. There is a growing trend towards lightweight life in China, which involves a preference for light weight and convenience across all areas of life, including clothing, food, shelter, transport and media. People pursuing this lifestyle aims to get rid of daily trivia and make life simpler, which improves the development of new ways of consumption, such as consuming meal replacement products, including bulletproof coffee, meal replacement shakes, bars and biscuits, and weight loss supplements, including package food with ingredients like probiotic. Moreover, with the growing prevalence of busy lifestyles and the erosion of traditional consumption habits as a result of ongoing urbanization, this is leading to an increasing demand for products that conveniently meet consumers' nutritional requirements, such as meal replacement products.

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Growing health awareness is expected to drive the growth of the health management industry. The sedentary lifestyles and an increasing preference for junk food and fast food are leading the increasing risks of obesity, which drives the growing awareness of health. Consumers are increasingly health conscious, focusing on attributes such as health management through health management solutions and reduced sugar consumption. This is leading to the adoption of various new health management solution, such as low-carbohydrate diet plan, which helps reduce fat naturally and has lesser chances of side effects as compared with traditional methods. Therefore, the growing health consciousness is expected to drive the growth of China's bulletproof drink market during the forecast period.

Key trends of China's health management and bulletproof drink industry

Providing premium taste of products. As the health management and bulletproof drink products are becoming popular due to the increasing awareness of health, companies are trying to innovate the flavor and taste of meal replacement products in order to catch consumers' various preference, through producing a low sugar of meal replacement product which has the similar taste with the taste of high-calorie product, such as bulletproof milk tea. Moreover, there is also an increasing demand for tastes that accord with daily meals, which leads to the appearance of other various flavors, such as black pepper, Chinese sauerkraut and Japanese miso.

Increasing variety of product categories. Along with the consumption upgrade, consumer demand in China is becoming more diversified, resulting in preferences towards companies whom have various categories of low-carbohydrate products with different function. To satisfy different consumers' needs, there will be an increasing variety of low-carbohydrate product categories in the future, which could provide a variety of health management solutions for body building.

Entry barrier of China's health management and bulletproof drink industry

Knowledge in marketing strategy and brand awareness. The customer's choice and the sales of health management and bulletproof drink products depend largely on marketing strategies. Market participants may adopt sub-brands as marketing strategies for market segmentation and precise customer targeting, and therefore succeed in taking more share of the customer base. Therefore a strong knowledge in marketing strategy, including the strategy of positioning, advertising, and promotion, is one of the important entry barriers for companies in the health management and bulletproof drink market.

Product innovation ability. Chinese consumers for health management and bulletproof drink products prefer differentiated products with unique brand value. In response to the ever changing consumer market with various preferences, health management and bulletproof drink companies have to invest a substantial amount of time and money into product research and development. However, product research and development capabilities are supported by affluent capital, talent resources, and industry experience, which are all hard for new entrants to access to. New companies without sufficient product development capabilities cannot provide customers with trendy products and therefore suffer when trying to survive in the market.

Celebrity IP. Only a few market participants in China's social e-commerce industry are empowered by celebrity IP. Celebrity IP, able to attract considerable traffic from fans base, usually helps the social e-commerce market participants to achieve relatively quick growth.

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Competitive landscape

In 2022, the market size of the bulletproof drink industry in China reached RMB2.2 billion in terms of GMV. There were more companies that began to develop and launch new bulletproof drink products, while some of the competitors adopted a low-price strategy. The high end products in the bulletproof drink industry are categorized with prices of more than RMB40 per cup, while mid-to-low end products are priced below RMB40 per cup. Nevertheless, the Company remains as the market leader in the bulletproof drink market in the PRC, recording a market share of 24.9% in terms of GMV in 2022, which is more than eight times of the second largest industry player.

In 2022, a new wave of COVID-19 pandemic started across many regions in China, and has made China's economy suffer. The government implemented various strict precautions including city-wide static management control measures. Due to the rebound of the pandemic, consumption has fallen sharply. While the demand of enterprises is facing the pressure of contraction, the normal production of enterprises is also negatively affected, and the residents' lives are affected to varying degrees, which inhibited the growth of consumption levels and thereby dragged down overall economic growth.

In the past years, bulletproof drink and low-carbohydrate diet has experienced extensive growth in China as consumer awareness continue to rise. Beginning 2021, with effective market education of ketogenic diet and market participants' success, the industry becomes attractive, which leads to more new market players entering the bulletproof drink market. The majority of the new market participants tend to adopt the low-price tactic as their brand strategy. In the bulletproof drink industry with growing consumer awareness, such strategy diverted some price-sensitive consumers to purchase from them, while the Company maintained its high standard with the higher price tag. By having more market participants, the entire bulletproof drink market became more disperse, but the Company remained the dominating industry leader.

In addition, when certain brands gain popularity in a niche market, it is not uncommon for some manufacturers to "take shortcuts" and sell fake products. Under the influence of these counterfeit products, company's real market share could be diluted.

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Competitive landscape in China's bulletproof drink industry (Note 1)

| Ranking | Company name | Company Profile | Sales channel | 2022 GMV in million (RMB) | Market share in % |
|---------|--------------|---|---|---------------------------------|----------------------|
| 1 | The Company | Company established in Jiangsu province in China in 2018. | WeChat/Third party e-commerce platforms | 555.7 | 24.9% (Note 2) |
| 2 | Company J | Company established in Hubei province in China in 2015. | WeChat/Third party e-commerce platforms | 67.9 | 3.0% |
| 3 | Company N | Company established in China. | Third party e-commerce platforms | 60.3 | 2.7% |
| 4 | Company K | Company established in Korea. | Third party e-commerce platforms | 12.2 | 0.5% |
| 5 | Company O | Company established in China. | Third party e-commerce platforms | 11.5 | 0.5% |

Notes:

1. The China's bulletproof drink industry covers all sale of bulletproof beverages within the PRC market irrespective of the place of production, including but not limited to, the sale of bulletproof coffee, bulletproof milk tea, bulletproof coconut milk etc.
2. The total number of market players increased significantly from approximately 300 in 2021 to approximately 350 in 2022. Coupled with the emergence of counterfeit products which are similar to our Group's products in the market, which attracted some of our price-sensitive potential consumers, our market share was diluted to approximately 24.9% in 2022, as compared to approximately 25.6% in 2021.

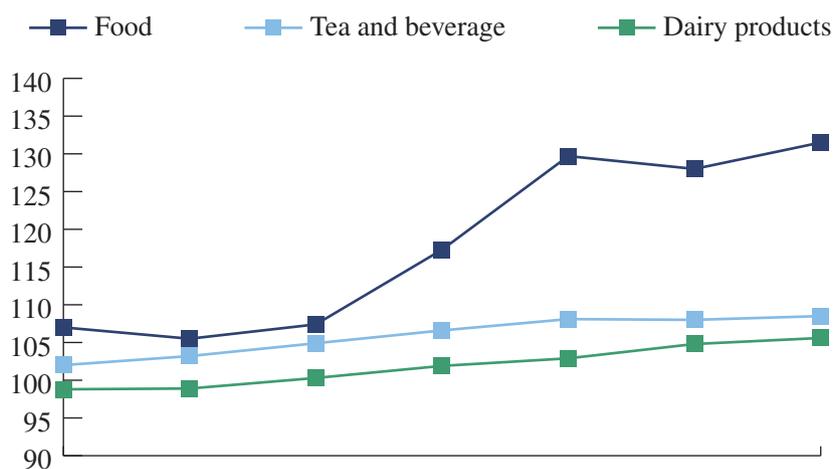
Price analysis of raw materials in health management and bulletproof drink industry

The cost of raw materials represented a major cost item for the health management and bulletproof drink industry. From 2016 to 2022, the 2014 based consumer price index ("CPI") of food increased from 107.0 in 2016 to 131.5 in 2022.

The CPI of tea and beverage, as one of the main raw material for bulletproof drink products, increased from 102.0 in 2016 to 108.5 in 2022. The CPI of dairy products, as another major raw material, kept relatively stable during 2016 to 2022. The price of imported butter, the major raw material of bulletproof drink, maintained relatively stable during 2016 to 2022 in China.

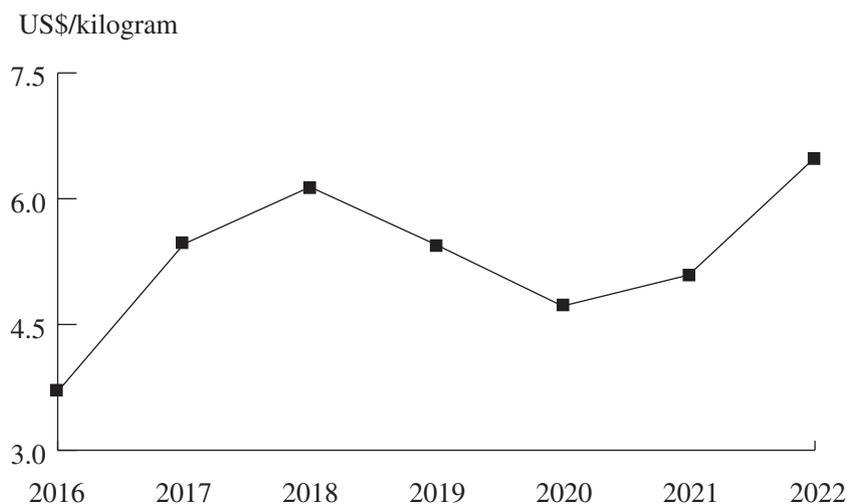
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CPI of raw materials, China, 2016–2022



| CPI (2014=100) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|
| Food | 107.0 | 105.5 | 107.4 | 117.3 | 129.7 | 128.0 | 131.5 |
| Tea and beverage | 102.0 | 103.2 | 104.9 | 106.6 | 108.1 | 108.0 | 108.5 |
| Dairy products | 98.8 | 98.9 | 100.3 | 101.9 | 102.9 | 104.8 | 105.6 |

Price of imported butter and fats, China, 2016–2022

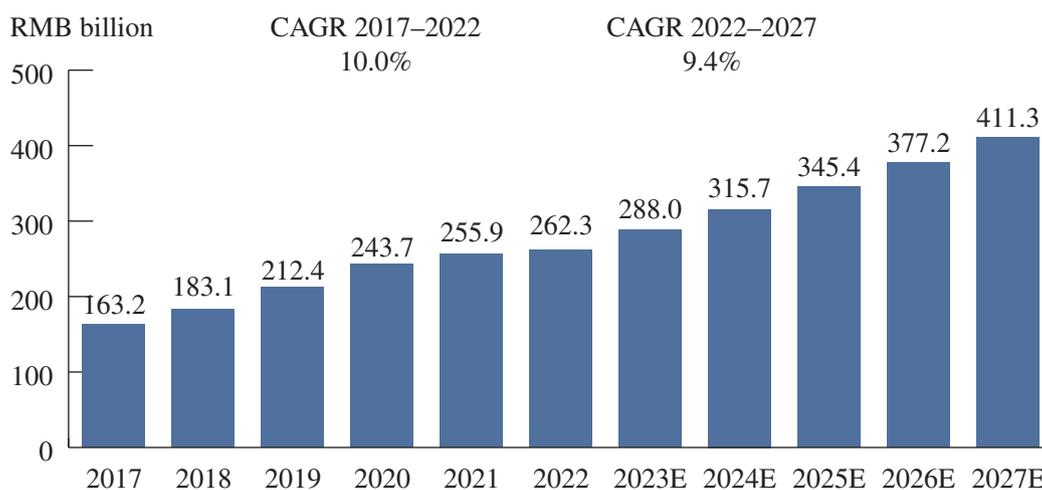


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China's beauty and personal care segment in community-based social e-commerce industry

The market of beauty and personal care products consists of skin care, hair care, oral care, color cosmetics, bath and shower, and other products. The market size of China's beauty and personal care community-based social e-commerce industry increased from approximately RMB163.2 billion in 2017 to RMB262.3 billion in 2022 in terms of GMV in China, representing a CAGR of 10.0%. China's beauty and personal care community-based social e-commerce industry is expected to continuously grow and reach RMB411.3 billion by 2027, at a CAGR of 9.4% between 2022 and 2027.

Market size of China's beauty and personal care community-based social e-commerce industry, in terms of GMV, China, 2017–2027E



Source: the CIC Report

Key drivers of China's beauty and personal care industry

Increasing affluence and accelerating urbanization process. The increasing affluence and ongoing urbanization process in China has brought about significant changes in lifestyles, consumption patterns and the habits of consumers. Urban residents who have already been used to basic personal care consumption habits tend to use personal care products more widely and frequently than before. For instance, urban residents have been increasing the complexity of procedures in skin care, hair and body care, oral care and make up. Moreover, influenced by the consumption habits of urban consumers and with the increasing disposable income, rural consumers, which consist of a vast proportion of China's total population, are nurturing their habits of personal care maintenance, thus increasing their consumption of personal care products.

Rising awareness in hygiene, health and beauty. With the rising consumption awareness and burgeoning demand arising from increasing purchasing power, consumers tend to increase their consumption budget on personal care products for a healthier life, better personal appearance and personal hygiene purpose. With the expectation of maintaining beauty, skin care and cosmetics products have shown strong sales performance with a deeper penetration as well as larger annual expenditures. With the increasing awareness of oral health, along with the Healthy China Strategy laying a solid foundation for the healthy development of oral care in China, oral care products have also demonstrated rapid growth. Furthermore, hair and body care products have embraced steady growth under the rising consciousness in hygiene.

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Continuous market education from social media and the influences of popular cultures. Frequent market education via promotion and advertising on multiple social media tools have formed numerous touchpoints for cosmetics information for consumers living in all tiers of cities. The various promotion methods including makeup swatch and tryout, cosmetics tutorials, unboxing, experience sharing, KOL endorsement and Livestreaming sales on platforms including mobile media platform and e-commerce platforms have stirred large impact on consumers' perception and consumption habits of personal care products. Consequently, a larger number of consumers are willing to purchase personal care products.

Increasing desire for better personal appearance for social life. Influenced by the market education, especially the experience of personal care maintenance shared by KOLs along with the infusion of cultures from advanced countries such as Japan that regard personal appearance as an important part of social life, there is a growing perception among consumers that personal appearance is important to achieve social, professional and financial success, which is related to a person's self-confidence, social etiquette, status symbols and workplace etiquette to some extent. Along with the rising purchasing power, consumers are paying more attention to maintaining beauty standards.

Key trends of China's beauty and personal care industry

Increasing popularity of emerging brands and China's domestic brands. Emerging beauty and personal care brands that employ new approaches to product rollout and consumer engagement, and provide high quality, value-for-money products for consumers, are rapidly gaining popularity among Chinese consumers. In addition, domestic brands have experienced increasing popularity in China in recent years. Many of China's domestic brands are able to deliver high quality products at standards comparable to that of established international brands, with sophisticated approaches to formula and product development as well as adherence to global safety standards. Moreover, many domestic brands are more adept at digital marketing with a deeper understanding of evolving consumer preferences in China.

Shift of distribution channels. The personal care market is experiencing a shift away from traditional sales channels, such as hypermarkets and supermarkets, department stores, etc., towards online and specialty retailers. The engagement of the digital ecosystem not only increased the efficiency of purchasing, but also changed how consumers interact with brands. More consumers now research personal products online and make purchase decisions based on user-generated content and social media influencers. Besides this, niche brands can engage consumers directly online without the advertising spending that established brands have traditionally used to acquire customers. Besides, instead of merely purchasing certain items, traditional in-store consumers are now increasingly looking for a novel shopping experience, therefore, specialty retailers such as Sephora and Watsons have developed and expanded rapidly in recent years.

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OUR HISTORY AND DEVELOPMENT

Overview

Our Founders, namely, Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen, who were parties acting in concert with each other, started our Group’s business in 2017. Prior to founding our Group, Ms. Ma had been working at an investment management firm, and by focusing on investments in cultural, entertainment and media resources industry, she accumulated insights in the empowerment that can be achieved through unique and valuable celebrity IPs. Leveraging her business connections, Ms. Ma became acquainted with Mr. Yang and Mr. Chen, representatives of Mr. Jay Chou’s artiste management companies and Mr. Jay Chou in the late 2000s when they jointly participated in other projects and cooperations. Mr. Yang and Mr. Chen are experienced in the entertainment industry as they have been working closely with well-known celebrities and are familiar with the public’s preference of entertainment content. Please refer to the section headed “Directors and senior management” to this prospectus for the relevant experience of Ms. Ma, Mr. Yang and Mr. Chen. On the other hand, Ms. Yeh (the mother of Mr. Jay Chou) and Mr. Yang are accustomed to make their investment decisions collectively through entities jointly controlled by them. Together, Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen had been making key decisions in relation to the development of our business collectively since they were beneficially interested in our group companies and throughout the Track Record Period, and they entered into the Concert Party Agreement to acknowledge and confirm such arrangement. Please refer to the section headed “Relationship with our Controlling Shareholders – Concert Party Agreement” for further details.

Our Founders established our Group’s operating business focusing on new retail and IP creation and operation (the “**Listing Business**”) in 2017, and they expected to empower our distribution channels, products and consumer procurement in the new retail operations through our proprietary celebrity IPs and IP-oriented media content and events.

Our key milestones

The following is a summary of the key development milestones of our Group:

| <u>Year</u> | <u>Event</u> |
|-------------|---|
| 2017 | Lead creator of <i>J-Style Trip</i> and we began planning the filming of <i>J-Style Trip</i> season one We provided sub-contracting service to Mr. Jay Chou’s world concert tour, <i>The Invincible</i> in 2017 and 2018 |
| 2018 | We engaged business partners to produce and launched our skincare products, including <i>LA DEW</i> Hydrating Brightening Treatment Mask We started developing the prototypes of <i>MODONG</i> coffee |

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| <u>Year</u> | <u>Event</u> |
|-------------|---|
| 2019 | <p>We officially launched <i>MODONG</i> coffee on a nationwide scale in April and established the Distribution Agent Assisted Distribution Model and system for other products distributed through the same channel</p> <p>Creation and debut of <i>ChouMate</i>, and we launched the “<i>ChouMate</i> Little Musician” collection set in collaboration with Shanghai Pudong Development Bank</p> <p><i>MODONG</i> coffee received the Popularity Award of PCLADY Beauty Award</p> <p>We planned the Zhanjiang Superstar Concert in Zhanjiang</p> |
| 2020 | <p>We planned and invested in the Star Plus Action Mega Night in Ningbo</p> <p>Premiere of <i>J-Style Trip</i> season one on various viewing platforms including Zhejiang Satellite TV and Netflix</p> <p>The “<i>ChouMate</i>” pop toy collection in collaboration with Pop Mart was launched</p> |
| 2021 | <p>We officially launched two new lines of skincare products, <i>Dr.mg</i> and <i>Chaxiaojie</i></p> <p>We planned an online music talk show <i>You Can Run But You Can't Hide</i> (既來之則樂之) during Chinese New Year, based on which we plan to launch a weekly online music talk show to be broadcasted in the second half of 2023</p> <p>We launched other health management products, including <i>MODONG</i> flavored bubbly water and <i>MODONG</i> konjac river snail noodle</p> <p>We established new distribution channels, including entering into a main distribution agreement for the distribution of <i>MODONG</i> flavored bubbly water and the <i>Star Plus 4U</i> platform was launched</p> <p>We started the filming and production of the <i>J-Style Trip</i> season two</p> <p>We were appointed as the sole agent to manage Mr. Liu Keng-hung's commercial activities in the PRC, and we assisted him developing into a popular KOL in the fitness and body-building sector in the PRC</p> |

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| Year | Event |
|------|---|
| 2022 | <p>We have been in collaboration with Mr. Liu Keng-hung to develop his public persona on social media platforms, which had achieved remarkable popularity since April</p> <p>We created a <i>Douyin</i> account under the name of “劉畊宏肥油咔咔掉” to promote our products with the cooperation with Ms. Vivi Wang and other KOLs</p> <p>We planned several IP events and programs that were centered around Mr. Jay Chou, including (i) Mr. Jay Chou’s online music show (周杰倫線上哥友會) which was first aired on online platform(s) owned by <i>Kuaishou</i> in November 2022; (ii) the World Cup-related variety show, being a spin-off of <i>J-Style Trip</i> season two (《周遊記2》世界杯番外篇) which was first aired on online platform(s) owned by Migu (咪咕) in November 2022; and (iii) another World Cup-related music show which was first aired on online platform(s) owned by Migu in December 2022</p> |

Our major subsidiaries

The principal business activities of each member of our Group that made a material contribution to our results of operations during the Track Record Period are set out below:

| Name of major subsidiary | Principal business activities |
|-----------------------------------|--|
| Star Plus (Kunshan) | IP planning, management and licensing at the onshore level |
| Kunshan Star Plus Action | Product development, customer service and order fulfillment for new retail business |
| Star Plus Development | IP planning, management and licensing at the offshore level |
| Beijing Star Plus Master | Planning of television, online programs and concerts |
| Talent Planet | Planning and management services in respect of the entertainment and performance business for celebrities |
| Kunshan Tingshe ^(Note) | Development and management of the distribution network for Kunshan Tingshe Distributed Products and providing training to distributors on sales and marketing techniques |

Note: Kunshan Tingshe was disposed in May 2020. For details, please refer to the paragraphs headed “Our major subsidiaries – Kunshan Tingshe” in this section.

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Star Plus (Kunshan)

On November 4, 2015, Star Plus (Kunshan) was established as a company with limited liability in the PRC with a registered capital of RMB2,000,000. Prior to the commencement of the Listing Business in 2017, Star Plus (Kunshan) was an intermediate holding company.

Star Plus (Kunshan) was authorized by Star Plus Development and JVR Music to operate our IP licensing business for *ChouMate* within the PRC, and is responsible for the creation of our IPs, including *J-Style Trip* season one.

Shareholding changes of Star Plus (Kunshan)

The original shareholders of Star Plus (Kunshan) were Beijing Jushi Music Culture Development Co., Ltd. (北京巨室音樂文化發展有限公司) (“**Beijing Jushi Music**”), Kunshan Renben and Lhasa Juchuang, and they held 40%, 30% and 30% of Star Plus (Kunshan)’s equity interest, respectively.

Beijing Jushi Music was a former business partner of Mr. Yang, Mr. Chen, and is an Independent Third Party. On August 21, 2017, Beijing Jushi Music agreed to sell and Shanghai Yige agreed to purchase 40% of the equity interest in Star Plus (Kunshan) at a consideration of RMB800,000, which was based on the registered capital to be subscribed by Shanghai Yige. Upon the completion of the abovementioned transfer and as at January 1, 2019, the shareholding structure of Star Plus (Kunshan) was as follow:

| <u>Name of registered shareholder</u> | <u>Percentage of equity interest</u> | <u>Relationship with our connected person(s)</u> |
|---------------------------------------|--------------------------------------|--|
| Shanghai Yige | 40% | Mr. Yang, Ms. Yeh and Mr. Chen were the beneficial owners of the equity interest of Star Plus (Kunshan) held by Shanghai Yige ⁽¹⁾ |
| Kunshan Renben | 30% | Ms. Ma was the beneficial owner of the equity interest of Star Plus (Kunshan) held by Kunshan Renben ⁽²⁾ |
| Lhasa Juchuang | 30% | N/A |

Notes:

- (1) Pursuant to the shareholding entrustment agreements dated July 10, 2017 and entered into between Shanghai Yige and each of Mr. Yang, Ms. Yeh and Mr. Chen, Shanghai Yige held 15%, 15% and 10% of Star Plus (Kunshan)’s equity interest on behalf of Mr. Yang, Ms. Yeh and Mr. Chen, respectively, and exercised the shareholder rights on each of their behalves. Such arrangement was terminated when Shanghai Yige transferred the entrusted shareholding in Star Plus (Kunshan) to Shanghai Sidapu Commercial Management Company Limited (上海斯達普商業管理有限公司) (“**Shanghai Sidapu**”), a company established in the PRC with limited liability and a wholly-owned subsidiary of Star Plus Entertainment as at the date of such transfer. As the registered shareholder of Shanghai Yige was not jointly owned by Mr. Yang, Ms. Yeh and Mr. Chen, a shareholding entrustment agreement was entered into amongst Mr. Yang, Ms. Yeh, Mr. Chen and Shanghai Yige to set out their beneficial interest in Star Plus (Kunshan).

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- (2) Pursuant to the shareholding entrustment agreement dated April 18, 2017 and entered into between Kunshan Renben and Ms. Ma, Kunshan Renben held 30% of Star Plus (Kunshan)'s equity interest on behalf of Ms. Ma and exercised the shareholder rights on her behalf, and the rights and obligations with respect to the entrusted shareholding shall vest in Ms. Ma. Such arrangement was terminated when Kunshan Renben transferred the entrusted shareholding in Star Plus (Kunshan) to Shanghai Sidapu. From Kunshan Renben's establishment to April 2017, Ms. Ma was indirectly interested in 93.1% of Kunshan Renben's equity interest. As Ms. Ma transferred her entire shareholding in such holding company to Lee, Chiu-yuan (Ms. Ma's sister-in-law) in April 2017, she entered into the shareholding entrustment agreement to maintain her beneficial interest in Kunshan Renben after such transfer.

When Star Plus (Kunshan) was established, Ms. Ma through her personal network invited Lhasa Juchuang as an investor and Lhasa Juchuang was particularly interested in the esports-related business initiative contemplated. To the knowledge of our Company, Lhasa Juchuang and its shareholders, namely Wang Xiaoping (王孝萍) and Wang Guiqing (王貴青), are Independent Third Parties and previously invested in the TMT sector. Lhasa Juchuang disposed of its interest in Star Plus (Kunshan) after we no longer held any equity interest in Jesports (Kunshan) and Jushi Creative which engaged in, amongst others, the esports-related business.

Separation of distinct business lines under Star Plus (Kunshan)

Apart from the Listing Business, Star Plus (Kunshan)'s subsidiaries have engaged in, amongst others, the planning, operation and franchising of Internet cafes and organization of e-sports competition since 2016 and intended to engage in asset management through Jesports (Kunshan) and Jushi Creative, each of them being a wholly owned subsidiary of Star Plus (Kunshan). To separate businesses which are clearly distinct from the Listing Business and have independent and separate management teams with the Listing Business, Star Plus (Kunshan) sold its entire equity interest in Jesports (Kunshan) and Jushi Creative to Shanghai Yige, Kunshan Renben and Lhasa Juchuang in July 2019 and August 2019, respectively based on the target company's respective net assets value as of July 31, 2019 and August 31, 2019, respectively.

The financial results of Jesports (Kunshan) and Jushi Creative were not consolidated in our accounts during the Track Record Period as their business activities are clearly different from the Listing Business and hence do not form part of our Group. As advised by our PRC Legal Advisors, prior to the above disposals, Jesports (Kunshan), Jushi Creative and each of their subsidiaries were not in violation of all applicable laws, rules and regulations in the PRC in all material respects.

Lhasa Juchuang intended to dispose of its equity interest in Star Plus (Kunshan) in 2017 when the intention to separate the distinct business lines under Star Plus (Kunshan) as mentioned above was initiated, given Lhasa Juchuang was mainly interested in the business operated by Jesports (Kunshan) and Jushi Creative. Such intention was materialized in 2019. Following the disposal of Jesports (Kunshan) and Jushi Creative, Lhasa Juchuang sold its equity interest in Star Plus (Kunshan) to Mr. Lai and Mr. Ho. For details, please refer to the paragraph headed "Pre IPO Investments – Share transfers to Mr. Lai and Mr. Ho" in this section below. Certain equity transfers of Star Plus (Kunshan) were also conducted subsequently pursuant to the Reorganization. Upon completion of the Reorganization and the Pre-IPO Investments, Star Plus (Kunshan) became an indirect wholly-owned subsidiary of our Company.

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Kunshan Star Plus Action

On March 17, 2016, Kunshan Star Plus Action was established as a company with limited liability in the PRC with a registered capital of RMB10,000,000 and its equity interest was initially wholly owned by Jushi Creative, a subsidiary of Star Plus (Kunshan). Kunshan Star Plus Action is our main subsidiary involved in new retail operations, including product development, customer services and order fulfillment since it commenced its business operations in 2018. Prior to that, Kunshan Star Plus Action was a holding company.

On September 30, 2018, as part of our Group's internal reorganization, Jushi Creative sold the entire equity interest in Kunshan Star Plus Action to Star Plus (Kunshan) at a consideration of RMB10,000,000 based on the valuation of Kunshan Star Plus Action as of March 31, 2018. The consideration under the transfer has been settled and the transaction has been duly and legally completed, and its relevant registration has been completed.

An equity transfer of Kunshan Star Plus Action was conducted subsequently as part of the Reorganization. Upon completion of the Reorganization, Kunshan Star Plus Action became an indirect wholly-owned subsidiary of our Company. For details, please refer to the paragraph headed "Reorganization" in this section. As at the Latest Practicable Date, the registered capital of Kunshan Star Plus Action was RMB100,000,000.

Star Plus Development

On December 21, 2007, Star Plus Development was established as a BVI business company in the BVI with limited liability. The share subscribed by Star Plus Development's initial subscriber, an Independent Third Party, was transferred to Mr. Lai in December 2014. Star Plus Development was a holding company prior to 2017. In order to allow us to commence our offshore operations and for our Founders' convenience to designate a person to handle the administrative matters, our Founders entrusted Mr. Lai who has been closely involved in the establishment of our business to hold 43%, 21.5%, 21.5% and 14% of Star Plus Development's interest on behalf of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen, respectively, since the commencement of the Track Record Period. On June 28, 2018, Mr. Lai transferred the entire issued share capital of Star Plus Development to Great Essence at a nominal consideration with reference to the arrangement amongst our Founders and Mr. Lai that Great Essence shall hold the interest of Star Plus Development on behalf of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen as to 43%, 21.5%, 21.5% and 14%, respectively. Upon completion of the Reorganization, Star Plus Development became an indirect wholly-owned subsidiary of our Company. For details, please refer to the paragraph headed "Reorganization" in this section.

Star Plus Development is the holder of most of our IPs.

Beijing Star Plus Master

On November 6, 2017, Beijing Star Plus Master was established as a company with limited liability in the PRC with a registered capital of RMB3,000,000 and since its establishment its equity interest was owned by Star Plus (Kunshan) and Beijing Master as to 70% and 30%, respectively. Beijing Star Plus Master is our principal subsidiary for the planning of our television and online programs, including *J-Style Trip* season one, and our concerts.

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Talent Planet

On November 26, 2021, Talent Planet was established as a company with limited liability in Hong Kong. Since its date of incorporation, it was owned by Star Plus IP and W&V as to 70% and 30%, respectively. Talent Planet is principally engaged in planning and management services in respect of the entertainment and performance business for celebrities, such as Mr. Liu Keng-hung, and management of celebrities' commercial activities in the PRC.

Kunshan Tingshe

On June 18, 2019, Kunshan Tingshe was established as a company with limited liability in the PRC with a subscribed registered capital of RMB1,000,000 and its equity interest was owned by Kunshan Star Plus Action and Li Ting as to 80% and 20%, respectively. The subscribed registered capital of Kunshan Tingshe was increased to RMB30,000,000 on August 5, 2022. Pursuant to the articles of association, shareholders of Kunshan Tingshe are only required to contribute Kunshan Tingshe's registered capital by December 31, 2049, and none of the shareholders of Kunshan Tingshe contributed any of their subscribed registered capital as at the Latest Practicable Date.

Kunshan Tingshe's principal business activities, i.e. development and management of distribution network for Kunshan Tingshe Distributed Products and training for distributors on sales and marketing techniques, were under the leadership of Li Ting since its establishment. Expansion of a distribution network requires numerous distributors and sub-distributors, which require development and management. Thus, Kunshan Tingshe, being a Distribution Agent, (i) develops and manages our distribution network in a micro aspect in order to attract more potential sub-distributors or end consumers to consume our products and/or join our distribution network; and (ii) continuously provides trainings on sales and marketing techniques to distributors and sub-distributors. Li Ting, as the leader of Kunshan Tingshe, is responsible for setting the goals, target and strategic objectives for development and management of our distribution network, while the implementation thereof are delegated to certain distributors with managerial responsibilities, including the Selected Distributors.

Li Ting

Li Ting has established her social and business network through her experience of more than seven years in new retail industry by engaging in distribution and sales of skincare products, and is an Independent Third Party. Our Group, Founders, senior management and their respective associates did not have any past or present relationship or dealing (including family, business, employment, trust and financing) with Li Ting and her associates in any material respect, other than the Individual Proprietor and company established by Li Ting, herself being our distributor and her interest in Kunshan Tingshe, and there are transactions between Kunshan Tingshe and Li Ting in relation to the sales and purchase of Kunshan Tingshe Distributed Products and other products offered (e.g. skincare products and other health management products). There are no other arrangements or understanding between Li Ting and our Shareholders in relation to the management, business and operations of our Group and Kunshan Tingshe.

Before Li Ting cooperated with us, she accumulated experience and built a network in selling women's apparel and skincare products, and she and her team had already proved their ability to generate sales for products and clinched their status as a team of outstanding

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distributors. Li Ting aged 45, has engaged in her own trading business since 2003. As confirmed by Li Ting and to the best knowledge of our Directors, Li Ting operated around nine retail outlets, including fashion accessory stores, apparel retailers and nail salons. These retail outlets were located in Ningbo, which were ran by Li Ting and her relatives, and its customers were individuals who required such products or services for themselves. These retail outlets were originally targeted towards women and sold affordable clothing, and subsequently as a result of business diversification, Li Ting established other outlets which sold relatively high-end apparel and men's apparel. In around 2008, she sold her interest in the abovementioned retail outlets and began to engage in the wholesale and distribution of apparel products, which were mainly wool cashmere supplied by manufacturers and the annual turnover was around RMB30 million. She then expanded the product offering in 2014 to include skincare products such as facial masks. Li Ting's wholesale and distribution operations was based in Ningbo, employed up to seven employees, and its customers or distributors were mainly entities which purchased such products for their onward sell. During such period, she accumulated customer base and knowledge in the consumption preference of female consumers and also made acquaintance with various business partners, including key downstream (such as owners of retail outlets) and upstream stakeholders (such as product suppliers) of her wholesale and distribution business. These partners worked closely together with Li Ting to understand consumers' preference and devised plans to expand their business scale, distribution channels and market share.

In 2015, as the PRC social e-commerce industry began to experience a rapid growth, Li Ting, together with her team (some of them being the key business partners of Li Ting's wholesale and distribution business and became our Selected Distributors), started to expand their sales channel by making use of their social network to sell skincare products, which was her first step in the social e-commerce business, hence she was considered as an early mover in the new retail industry. As Li Ting and her team found it easier to reach their targeted consumer group by using their PDT and social media platforms, they gradually focused more of their efforts on the social e-commerce business. Li Ting's soft skills can be applied to distributing other products and not limited to apparel products. In addition, she has accumulated a network of customers who may be also the target consumer group of our products. Further, Li Ting obtained the Award for Outstanding Women in Business in the New Era granted by PCLADY in 2019.

Our business relationship with Li Ting commenced in January 2018 when our products (including *LA DEW* facial masks) were first introduced to Li Ting and her team by the abovementioned marketing and consultancy company which was responsible for our brand building activities and developing our sales channels, and after being aware of our products, they began to sell our products as our distributor. Ms. Ma and Li Ting first became acquainted with each other at our product launch conference in April 2018. In 2018, discounts and incentives paid to Li Ting in connection with the sale of our products amounted to approximately RMB1.0 million.

In early 2019, when we were preparing to launch *MODONG* coffee and designing its distribution model, noticing Li Ting and her team's performance in distributing our then existing products and her expertise and network in the sales and marketing of products targeted at female consumers, Ms. Ma reached out to Li Ting and invited her to establish the distribution model and network together. As Li Ting was of the view that (i) health management would be a rising trend in the future, and she personally tried *MODONG* coffee and was satisfied of its product attributes; (ii) her satisfactory and solid prior working experience with us; (iii) her expectation that with the support of our IP creation and operation segment it would be advantageous for her

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to extend the reach of our products; and (iv) cooperation with us represents a good opportunity for her to utilize her prior experience, knowledge and network in the retail industry to develop a distribution business under her leadership, she decided to establish a stronger relationship with us by being responsible of *MODONG* coffee's distribution arm.

Disposal of our interest in Kunshan Tingshe

The main reason of establishing Kunshan Tingshe as our 80%-controlled subsidiary in June 2019 was for risk management purpose as we had to ensure that the distribution network and marketing activities of *MODONG* coffee were properly managed, especially at the initial stage and we could provide support and guidance and communicate with Li Ting closely to ensure that Kunshan Tingshe properly performed its expected function. At the same time, Li Ting had been working closely with us to establish the distribution network and the underlying policies and mechanisms for the distribution of *MODONG* coffee, and she was of the view that it would be more effective for her to develop the distribution network for *MODONG* coffee and her cooperation with us would be more solid and formalized if it can be demonstrated that she received our endorsement through her co-ownership in the Distribution Agent with us.

After working closely with Li Ting for a year, in early 2020, the respective roles of Kunshan Star Plus Action and Kunshan Tingshe as the brand owner and Distribution Agent of *MODONG* coffee were well recognized. We have established mutual trust and confidence with Li Ting, were confident of the capabilities of Li Ting to continuously develop and maintain the distribution network of *MODONG* coffee for us, and were of the view that Kunshan Tingshe could operate independently, hence we agreed that it was no longer necessary for us to hold any equity interest in Kunshan Tingshe. From Li Ting's perspective, as (i) she has been heavily involved in developing the distribution network for *MODONG* coffee, devoted considerable time to handle the operation of Kunshan Tingshe since its establishment, and had a proven track record as witnessed by the expansion of *MODONG* coffee's distribution network till May 2020; and (ii) she intends to expand Kunshan Tingshe's business towards distribution and sales of apparel products which is not in line with our principal business activities, she was willing to acquire the entire interests in Kunshan Tingshe.

The disposal of our interest in Kunshan Tingshe was in line with our corporate strategy as we generated revenue in the new retail segment through sales of products including but not limited to *MODONG* coffee. We also intend to focus on the planning and research and development of new products and brands as well as the planning and development of IP content and its licensing, rather than the management functions assumed by the Distribution Agent which has all along been under the leadership of Li Ting. After the disposal, Kunshan Tingshe remains as the Distribution Agent for our Kunshan Tingshe Distributed Products and the role and function of Kunshan Tingshe and Li Ting as well as the contractual and business relationship between Kunshan Tingshe and us remain unchanged.

On May 31, 2020, Kunshan Star Plus Action agreed to sell and Li Yanqing (李炎慶), an Independent Third Party, agreed to purchase 80% of the equity interest in Kunshan Tingshe at a consideration of RMB800 which was determined with reference to the net liability of Kunshan Tingshe as of May 31, 2020. The consideration of the transfer was fully settled and the transfer was duly and legally completed, and its relevant registration has been completed. Our Directors are of the view that the disposal of our interest in Kunshan Tingshe did not have any material impact on our business operations and financial performance as our business focus and major revenue stream remain unchanged.

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To our Company's knowledge, Li Yanqing has been holding 80% of Kunshan Tingshe's equity interest on behalf of Li Ting since Li Ting was busy handling the affairs of Kunshan Tingshe, in particular, she was required to travel frequently to different parts of PRC to attend and organize marketing and training activities for Kunshan Tingshe Distributed Products in respect of the sales and marketing techniques such as regional sales forum and distributors promotion meetings. Li Yanqing and Li Ting known each other since 2017, and developed mutual trust as Li Ting perceived Li Yanqing have to be honest and reliable, and Li Yanqing has already been aware of Li Ting's reputation and stature in the social e-commerce industry, hence he is willing to assist her in miscellaneous duties. As Li Yanqing has retired and lives in Kunshan and despite he is not required to be involved in the daily operations of Kunshan Tingshe, Li Ting was of the view that it would be more convenient for him to handle corporate or administration related matters of Kunshan Tingshe by assuming the role of legal representative of Kunshan Tingshe. Based on the agreements entered into between Li Ting and Li Yanqing, (i) Li Ting enjoys the shareholder's right and is entitled to the investment income attributable to the 80% equity interest of Kunshan Tingshe (the "**Entrusted Interest**") held by Li Yanqing, whilst Li Yanqing shall only be the nominee shareholder of the Entrusted Interest without any profit distribution rights and is not entitled to any gains received from the disposal of the Entrusted Interest; and (ii) Li Yanqing shall exercise the voting rights of the Entrusted Interest pursuant to the instructions of Li Ting; and after making due enquiries, to our best knowledge, Li Yanqing and Li Ting has complied with the terms of such agreements.

Save as disclosed herein, there are no past and present relationship (including, without limitation, business, family, trust, employment, shareholding, financing or otherwise) between Li Yanqing and us, our Directors, Shareholders, senior management, or any of their respective associates. Apart from Kunshan Tingshe, Li Yanqing has not held and does not hold any interest in any other companies for and on behalf of Li Ting.

Principal business activities and financial performance of Kunshan Tingshe

As at the Latest Practicable Date, apart from the provision of distribution agent services, Kunshan Tingshe and its subsidiaries also provided garment trading services and various beauty and health services, including Chinese medicine consultation and therapy, facial treatments and massages.

In 2019, Kunshan Tingshe and its subsidiaries recorded net profit of RMB718,000 from its distribution agent services, and net profit of nil from its other businesses. Kunshan Tingshe and its subsidiaries recorded a net loss of RMB945,000 during the five months ended May 31, 2020 (i.e. the period before our disposal of Kunshan Tingshe), which was mainly due to the advertising and marketing expenses incurred in relation to the promotion of *J-Style Trip* season one. The financial results of Kunshan Tingshe were consolidated in our financial statements since its establishment till May 31, 2020. For the seven months ended December 31, 2020 (i.e. the period after our disposal of Kunshan Tingshe), Kunshan Tingshe recorded a net profit of RMB2.5 million, among which, RMB2.4 million was generated from its distribution agent services, which was mainly attributable to the Additional Incentive Fee to Kunshan Tingshe recorded and the decrease in advertising and marketing expenses during the relevant period. In 2021, Kunshan Tingshe and its subsidiaries recorded net loss of RMB2.0 million and RMB2.6 million, from its distribution agent services and other businesses, respectively. To our best knowledge, information and belief, Kunshan Tingshe recorded a net loss in 2021 mainly due to (i) the decrease in the revenue generated from its distribution agent services due to a decrease in the sale of *MODONG* coffee in 2021; (ii) the fact that no Additional Incentive Fee to Kunshan

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Tingshe was paid to Kunshan Tingshe in 2021 as the sale volume of *MODONG* coffee through Kunshan Tingshe did not meet the prescribed threshold; and (iii) the increase in selling expenses and staff costs in connection with its other business activities. In 2022, Kunshan Tingshe and its subsidiaries recorded a net profit of RMB338,000 from its distribution agent services and a net loss of RMB1.1 million from other business. In addition, Kunshan Tingshe and its subsidiaries recorded net assets of RMB718,000 and RMB2.2 million as of December 31, 2019 and 2020, respectively, and net liabilities of RMB2.4 million and RMB3.1 million as of December 31, 2021 and 2022, respectively.

Notwithstanding Kunshan Tingshe and its subsidiaries recorded net liabilities position as of December 31, 2021 and 2022, in the best knowledge of our Directors, Kunshan Tingshe and its subsidiaries are able to continue their business as a going concern, taking into account that (i) Li Ting, being the shareholder and leader of Kunshan Tingshe and received substantial service fee from Kunshan Tingshe, would be able to provide continual financial support and adequate funds to Kunshan Tingshe and its subsidiaries to enable them to meet their liabilities as and when they fall due; (ii) Kunshan Tingshe has recorded a net profit of RMB338,000 from its distribution agent services in 2022, as compared to a net loss of RMB2.0 million in 2021; and (iii) the expected demand of our *MODONG* coffee will resume back to normal gradually in 2023 and going forward considering the relaxation of restrictions to combat the COVID-19 in the PRC.

Under the pricing arrangement between our Group and Kunshan Tingshe in respect of the distribution of the Kunshan Tingshe Distributed Products, a substantial portion of the Fixed Mark-up would be utilized for the payments of the discounts, incentives and fees to our distributors as well as the Service Fees to Li Ting. Taking into account of the estimated expenses to be incurred by Kunshan Tingshe in, among other things, the marketing and promotion activities for the development of the distribution network, our Directors are of the view that Kunshan Tingshe would not record material profit or loss from its distribution agent business provided to our Group. For details of the pricing arrangement, please see “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus. Our Directors are of the view, and the Sole Sponsor concurs, that there is no material concern on the sustainability of the business of Kunshan Tingshe and its subsidiaries and that there would not be material adverse effect on the Group’s business operation and financial performances, on the following basis:

- (i) under the aforesaid pricing arrangement, Kunshan Tingshe would not record material profit or loss from its distribution agent services provided to us. In particular, Kunshan Tingshe and its subsidiaries generated an overall net profit of RMB471,000 from its distribution agent business during the four years ended December 31, 2022;
- (ii) the net loss position of Kunshan Tingshe and its subsidiaries for 2022 was mainly attributable to its other business but not the distribution agent services. To the best knowledge and belief of our Directors, Kunshan Tingshe and its subsidiaries recorded losses from its other business, including garment trading services and various beauty and health services which are not related to our Group, primarily because such businesses were still at an early development stage and were adversely affected by the COVID-19 pandemic; and

HISTORY, DEVELOPMENT AND REORGANIZATION

- (iii) despite that Kunshan Tingshe and its subsidiaries did not record any material profit or loss since its incorporation in 2019, Li Ting, being the key person in the business of Kunshan Tingshe, was entitled to substantial amounts of service fees through the distribution agent services provided by Kunshan Tingshe to our Group. During the four years ended December 31, 2019, 2020, 2021 and 2022, the Service Fees to Li Ting amounted to RMB3.3 million, RMB18.0 million, RMB12.9 million and RMB7.4 million, respectively. Accordingly, our Directors consider that Li Ting has been properly rewarded for the distribution agent services provided by Kunshan Tingshe to our Group. In addition, we expect that the demand of our *MODONG* coffee will resume back to normal gradually in 2023 and going forwarding following the relaxation of restrictions to combat the COVID-19 pandemic in the PRC. Based on the above, our Directors are of the view that Li Ting would be able to continuously provide financial support to Kunshan Tingshe.

As at the Latest Practicable Date, we did not have any intention to change our pricing arrangement with Kunshan Tingshe and it is expected that such arrangement will remain the same in all material respects after our Listing. We have undertaken to the Stock Exchange that, in the event that (i) there is any material change in the aforesaid arrangement with Kunshan Tingshe; or (ii) we became aware of any material change in the arrangement between Kunshan Tingshe and Kunshan Jiameng, after Listing, we will issue an announcement setting out details of the changes as soon as practicable.

As advised by our PRC Legal Advisors, (i) prior to the disposal of Kunshan Tingshe, it had not been in violation of all applicable laws, rules and regulations in the PRC in all material respects; and (ii) after the disposal of Kunshan Tingshe and up to the Latest Practicable Date, Kunshan Tingshe had not been subject to any material administrative penalties for material breach of relevant laws and regulations, and there was no ongoing or pending litigation or legal proceedings against Kunshan Tingshe which would have a material adverse effect on the Company.

OUR CONTROLLING SHAREHOLDERS

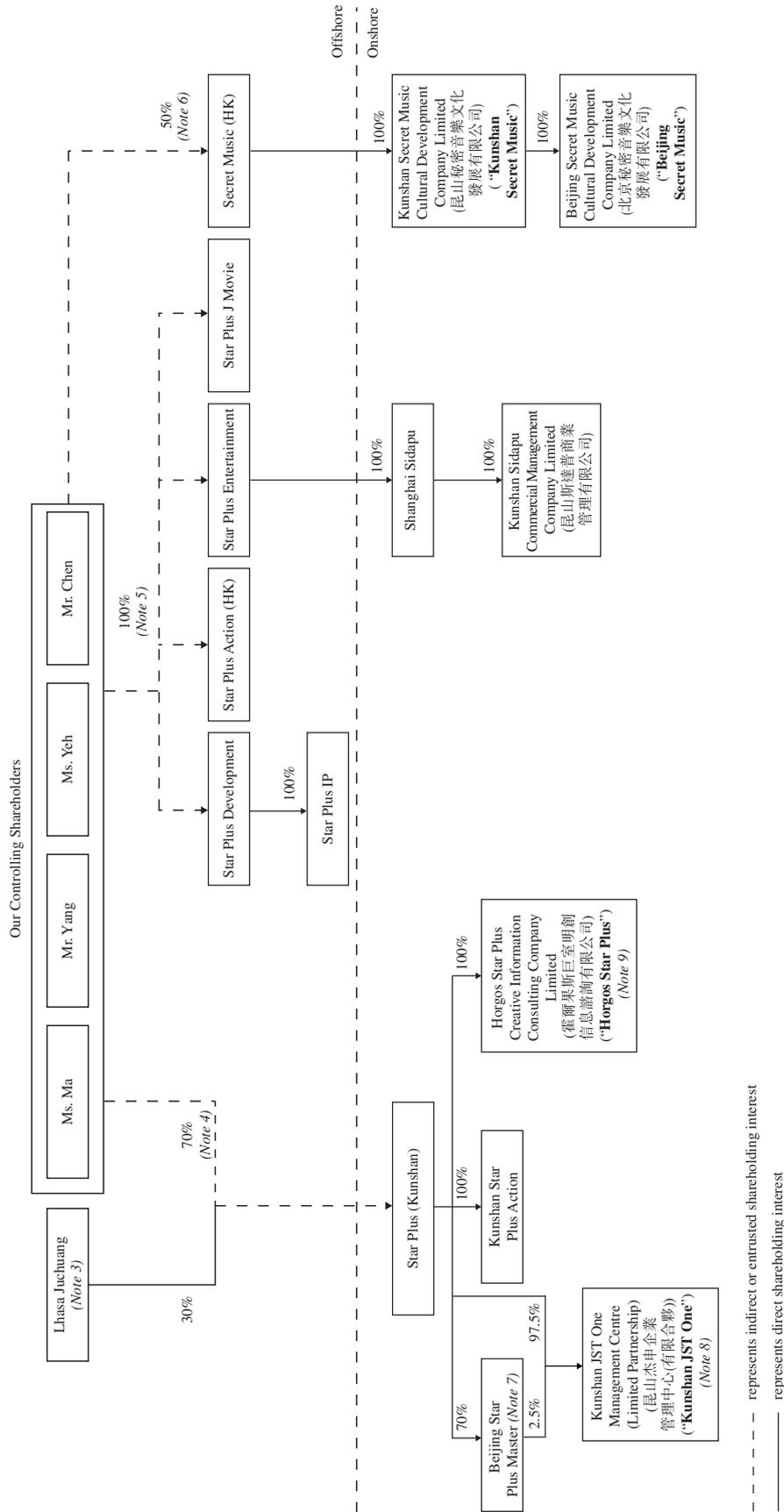
Our Founders, together with their respective intermediate holding companies (i.e. Harmony Culture, Legend Key and Max One) are collectively our Controlling Shareholders. By virtue of their long-standing business relationship in establishing our Group, our Founders have been reaching voting decisions on an unanimous basis since each of them had a beneficial interest in Star Plus (Kunshan) and throughout the Track Record Period. The Founders also entered into the Concert Party Agreement, hence they are considered as persons acting in concert with each other in respect of our Company within the meaning of the Takeovers Codes and will continue to act in concert with each other in the decision-making of our Group. Please refer to the section headed “Relationship with our Controlling Shareholders – Concert Party Agreement” in this prospectus.

REORGANIZATION

In preparation of the Listing, the companies comprising our Group underwent the Reorganization, pursuant to which our Company became the holding company of our Group.

OUR STRUCTURE BEFORE THE REORGANIZATION

The following chart sets out our corporate and shareholding structure immediately before commencement of the Reorganization and the Pre-IPO Investments:



HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

- (3) Lhasa Juchuang intended to transfer its equity interest in Star Plus (Kunshan) to Mr. Lai and Mr. Ho after companies not engaged in the Listing Business were carved out, and the transfer of Lhasa Juchuang's interest in Star Plus (Kunshan) was completed as part of the Pre-IPO Investments. For details, please refer to the paragraph headed "Pre IPO Investments – Share transfers to Mr. Lai and Mr. Ho" in this section.
- (4) Our Founders held 70% of Star Plus (Kunshan)'s equity interest through nominee arrangements prior to the Reorganization and the Pre-IPO Investments. For details of the nominee arrangements, please refer to notes 1 and 2 under the paragraph headed "Our major subsidiaries – Star Plus (Kunshan)" in this section.
- (5) Pursuant to the nominee and bare trust deed dated September 13, 2021 and entered into, among others, our Founders and Mr. Lai, Mr. Lai and his controlled entities entrusted to hold 43%, 21.5%, 21.5% and 14% of Star Plus Development, Star Plus Action (HK), Star Plus Entertainment and Star Plus J Movie on behalf of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen, respectively since the commencement of the Track Record Period and before the transfer of such companies to our Company and the Pre-IPO Investments, and the rights and interests of those companies shall vest in each beneficial owner according to the abovementioned ratio.
- (6) The shares in Secret Music (HK) were held by our Founders as to 50% in aggregate and Sapphire Prismatic Limited as to 50%. Secret Music (HK) is our subsidiary as we are entitled to nominate a majority of its board of directors. Pursuant to the nominee and bare trust deed dated September 13, 2021, since the commencement of the Track Record Period and until immediately before the transfer of Secret Music (HK) to our Company and the Pre-IPO Investments, the interest in Secret Music (HK) was beneficially owned by Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen as to 21.5%, 10.75%, 10.75% and 7% through Great Essence. Sapphire Prismatic Limited is a company wholly owned by Chan Yu-hao and hence Sapphire Prismatic Limited and Chan Yu-hao are our connected persons at subsidiary level upon Listing.
- (7) The equity interest in Beijing Star Plus Master was held by Star Plus (Kunshan) and Beijing Master as to 70% and 30%, respectively. To the knowledge of our Company, the ultimate beneficial controller of Beijing Master is Zhang Shuming (張書明), hence each of Beijing Master and Zhang Shuming is our connected persons at subsidiary level upon Listing.
- (8) Kunshan JST One is a limited partnership established in the PRC on September 28, 2017 with Beijing Star Plus Master, our indirect subsidiary, as the general partner. Kunshan JST One was the project company for *J-Style Trip* season one.
- (9) Horgos Star Plus was deregistered on December 15, 2021 as it had no business operations.

Onshore Reorganization

Internal transfer of the entire equity interest in Kunshan Star Plus Action

On February 18, 2020, Star Plus (Kunshan) agreed to sell and Star Plus Action (HK) agreed to purchase the entire equity interest in Kunshan Star Plus Action at the consideration of RMB10,000,000, which was determined with reference to the valuation of Kunshan Star Plus Action as of December 31, 2019. Star Plus Action (HK) designated Beijing Star Plus Action, its wholly-owned subsidiary, as the transferee of this transaction. The consideration was fully settled and this transaction has been duly and legally completed, and its relevant registration has been completed.

Acquisition of the entire equity interest in Star Plus (Kunshan)

On February 28, 2020, Shanghai Yige (on behalf of Mr. Yang, Ms. Yeh and Mr. Chen), Kunshan Renben (on behalf of Ms. Ma) and Beijing Weideli (on behalf of Mr. Lai and Mr. Ho) agreed to sell and Shanghai Sidapu agreed to purchase the entire equity interest in Star Plus (Kunshan) (excluding its subsidiaries, including Kunshan Star Plus Action) at the consideration of RMB800,000, RMB600,000, and RMB600,000, respectively, which was determined with reference to the valuation of Star Plus (Kunshan) as of December 31, 2019. The consideration was fully settled and this transaction has been duly and legally completed, and its relevant registration has been completed.

HISTORY, DEVELOPMENT AND REORGANIZATION

Beijing Star Plus Legend was a subsidiary of our Group established on June 2, 2020 along with the Reorganization. On the same day, Shanghai Sidapu agreed to sell and Beijing Star Plus Legend agreed to purchase the entire equity interest in Star Plus (Kunshan) at the consideration of RMB2,000,000, which was determined with reference to the valuation of Star Plus (Kunshan) (excluding its subsidiaries, including Kunshan Star Plus Action) as of December 31, 2019. The consideration was fully settled and the transfer was duly and legally completed, and its relevant registration has been completed. Shanghai Sidapu was an intermediate holding company and our subsidiary since its establishment in June 2016 till its disposal on September 30, 2020. As our Group sought to streamline its structure, Shanghai Sidapu was disposed to Jushi Creative at a nominal consideration of RMB1 based on the net asset value of Shanghai Sidapu as of September 30, 2020. The consideration was fully settled and as advised by the PRC Legal Advisors, the transfer was duly and legally completed, and its relevant governmental registration has been completed.

Offshore Reorganization

Incorporation of our Company and shareholders' holding companies, and allotment of our Shares to the beneficial Shareholders

On January 3, 2020, our Company was incorporated as an exempted company with limited liability in the Cayman Islands. Upon incorporation, the authorized share capital of our Company was US\$50,000, divided into 50,000 ordinary shares of US\$1 each. On the date of its incorporation, one Share was issued to the initial subscriber, an Independent Third Party, who transferred it to Star Media on the same day. On July 29, 2020, our authorized share capital was subdivided to 5,000,000,000 Shares of US\$0.00001 each.

Pursuant to a nominee and bare trust deed dated September 13, 2021 and entered into between our Founders and Mr. Ho on one hand and Mr. Lai on the other hand, during the period from the incorporation of our Company to immediately before Shares were allotted to each of the Founders and Mr. Ho's holding companies, Mr. Lai was entrusted to hold 30%, 15%, 15%, 10% and 15% of our beneficial interest on behalf of Ms. Ma, Mr. Yang, Ms. Yeh, Mr. Chen and Mr. Ho, respectively, and the rights and interests with respect to the trust property shall vest in each beneficial owner according to the abovementioned ratio. The remaining 15% interest in our Company was held by Mr. Lai. Our Founders and Mr. Ho were beneficially interested in the equity interest of Star Plus (Kunshan) and our other onshore entities during the period when the bare trust arrangement was effective, and for the purpose of mirroring each of their beneficial interest in the offshore platform they have established and our offshore business before our Shares were allotted to each of our Founders and Mr. Ho, they formalized the arrangement through entering into the nominee and bare trust deed.

Each of Ms. Ma, Mr. Yang and Ms. Yeh, Mr. Chen and Mr. Ho (our ultimate beneficial owners since its incorporation) incorporated a holding company, details of which are set out below:

| <u>Company name</u> | <u>Name of shareholder</u> | <u>Equity interest</u> |
|------------------------------|----------------------------|------------------------|
| Harmony Culture/Best Million | Ms. Ma | 100% |
| Legend Key | Mr. Yang | 50% |
| | Ms. Yeh | 50% |
| Max One | Mr. Chen | 100% |
| Lake Ranch | Mr. Ho | 100% |

HISTORY, DEVELOPMENT AND REORGANIZATION

On August 4, 2020, our Company allotted and issued 150,000,000, 150,000,000, 50,000,000, 75,000,000 and 74,900,000 Shares to Legend Key, Best Million, Max One, Lake Ranch and Star Media, respectively, credited as fully paid. Immediately upon completion of the allotment and issuance of our Shares, Legend Key, Best Million, Max One, Lake Ranch and Star Media held 30%, 30%, 10%, 15% and 15% of our issued Shares, respectively. After the allotment of such Shares, our Founders, Mr. Lai and Mr. Ho's shareholding in our Company is same as their beneficial interest in (i) Star Plus (Kunshan) immediately before it was acquired by Shanghai Sidapu; and (ii) our Company immediately before the trust arrangement among our Founders, Mr. Lai and Mr. Ho was terminated.

Acquisition of our offshore subsidiaries

Immediately before the Reorganization, Mr. Lai, through Great Essence, held various offshore entities on behalf of the Controlling Shareholders and Mr. Ho pursuant to the nominee and bare trust agreement entered into amongst them, and the following transfers were conducted to transfer these offshore entities to our Company after our Company was incorporated:

- (i) On February 5, 2020, Great Essence agreed to sell and our Company agreed to purchase the entire equity interest in Star Plus Development at the nominal consideration of US\$1 based on the share capital of Star Plus Development. The consideration was fully settled and the transaction has been duly and legally completed.
- (ii) On February 5, 2020, Great Essence agreed to sell and our Company agreed to purchase the entire equity interest in Star Plus Entertainment, at the nominal consideration of HK\$1 based on the share capital of Star Plus Entertainment. The consideration was fully settled and the transaction has been duly and legally completed.
- (iii) On February 18, 2020, Star Media agreed to sell and our Company agreed to purchase the entire equity interest in Star Plus Action (HK) at the nominal consideration of HK\$1 based on the share capital of Star Plus Action (HK). The consideration was fully settled and the transaction has been duly and legally completed.
- (iv) On February 28, 2020, Great Essence agreed to sell and our Company agreed to purchase 50% of the equity interest in Secret Music (HK) at the nominal consideration of HK\$50 based on the share capital of Secret Music (HK). The consideration was fully settled and the transaction has been duly and legally completed. Great Essence also assigned the right to control the composition of a majority of Secret Music (HK)'s board of directors to our Company.
- (v) On March 19, 2020, Great Essence agreed to sell and our Company agreed to purchase the entire equity interest in Star Plus J Movie at the nominal consideration of HK\$1 based on the share capital of Star Plus J Movie. The consideration was fully settled and the transaction has been duly and legally completed.

As confirmed by our Directors, each of the transfers during the Reorganization was properly and legally completed and the consideration was fully settled. Our Company has obtained all relevant approvals required in connection with the Reorganization and has complied with all relevant laws and regulations which are applicable to the Reorganization.

HISTORY, DEVELOPMENT AND REORGANIZATION

As advised by our PRC Legal Advisors, the nominee arrangements at the onshore level did not violate any PRC laws and regulations in all material respects. According to such arrangements, each of our Substantial Shareholders, through their nominees, beneficially held and owned the entrusted interests in Star Plus (Kunshan), and were entitled to all rights and benefits arising from such equity interest.

CAPITALIZATION ISSUE

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorized to capitalize an amount of approximately US\$1,748.45 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 178,445,376 Shares for allotment and issue to our Shareholders as of on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional, on a pro rata basis.

PRE-IPO STOCK INCENTIVE PLAN

On August 3, 2020, our Company adopted the Pre-IPO Stock Incentive Plan pursuant to which 25,000,000 Shares (to be adjusted to 33,217,009 Shares upon the Capitalization Issue) are issuable upon exercise of all options under the Pre-IPO Stock Incentive Plan, representing 4.2% of the issued share capital of our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes). As of the Latest Practicable Date, the Company issued an aggregate of 25,000,000 Pre-IPO Share Options in consideration for the contribution of the Pre-IPO Share Option Scheme Grantees to the establishment of our Group and to provide incentives to them. No further options will be granted under the Pre-IPO Stock Incentive Plan after our Listing. For details of the Pre-IPO Stock Incentive Plan, please refer to the paragraph headed "Statutory and general information – D. Share Option Schemes – Pre-IPO Stock Incentive Plan" in Appendix V to this prospectus.

PRE-IPO INVESTMENTS

Share transfers to Mr. Lai and Mr. Ho

Lhasa Juchuang had been contemplating to exit from Star Plus (Kunshan) as a result of the separation of business lines under Jesports (Kunshan) and Jushi Creative from our Group's structure. Hence, Lhasa Juchuang has been discussing with our Founders about exiting Star Plus (Kunshan) since 2017. At the same time, Mr. Lai and Mr. Ho had been working closely with our Founders to formulate the business strategies of our Group since our inception and advised on corporate finance matters. After noticing Lhasa Juchuang's intention to exit, our Founders agreed that it would be beneficial to our Group should Mr. Lai and Mr. Ho take up the equity interest disposed by Lhasa Juchuang as it would align their interest with our Group, and Mr. Lai and Mr. Ho agreed that this would be a good opportunity for them to have a personal stake in our Group.

HISTORY, DEVELOPMENT AND REORGANIZATION

Owing to complications in handling formalities for the carving out of companies not engaged in the Listing Business, such transfers were only completed in August 2019. After completion of such procedures, on September 30, 2019, Lhasa Juchuang and each of Mr. Lai and Mr. Ho entered into an agreement to transfer 15% of the equity interest in Star Plus (Kunshan) at RMB300,000. The aggregate consideration has been agreed to be equivalent to Lhasa Juchuang's contribution to Star Plus (Kunshan)'s registered capital in view of Lhasa Juchuang's exit intention since 2017. For details of the carving out of companies not engaged in the Listing Business, please refer to the paragraph headed "Our major subsidiaries – Star Plus (Kunshan) – Separation of distinct business lines under Star Plus (Kunshan)" in this section.

As each of Mr. Lai and Mr. Ho is not a holder PRC ID and as our Group was contemplating the Reorganization, Mr. Lai and Mr. Ho were only the beneficial shareholders of Star Plus (Kunshan) from September 30, 2019 till its acquisition by Shanghai Sidapu; and they designated Beijing Weideli as the legal owner of the equity interest of Star Plus (Kunshan) acquired by them. The nominee arrangement was terminated when Beijing Weideli transferred the entrusted shareholding in Star Plus (Kunshan) to Shanghai Sidapu as part of our Reorganization.

On August 4, 2020, as part of the Reorganization, 75,000,000 and 74,900,000 Shares were allotted to Lake Ranch (a company wholly-owned by Mr. Ho) and Star Media (a company wholly-owned by Mr. Lai), respectively, credited as fully paid.

Shares transfers to Dr. Qian and Ms. Zhang and subscriptions by Long Precise and Bradbury

On February 29, 2020, Lake Ranch entered into a share transfer agreement with each of Dr. Qian and Ms. Zhang, pursuant to which Lake Ranch agreed to sell and Dr. Qian and Ms. Zhang agreed to purchase 7,500,000 Shares and 5,000,000 Shares at HK\$1.5 million and HK\$1 million, respectively.

On September 30, 2020, Long Precise entered into a share purchase agreement with our Company, pursuant to which our Company allotted and issued 12,820,512 Shares to Long Precise in consideration of HK\$37,500,000.

On February 17, 2021, Bradbury entered into an investment agreement with our Company, pursuant to which our Company allotted and issued 30,094,112 Shares to Bradbury in consideration of HK\$200,000,000.

On May 5, 2023, Long Precise entered into a share transfer instrument with Kai Le and Ms. Zhang respectively, pursuant to which (1) Long Precise agreed to sell and Kai Le agreed to purchase 7,880,769 Shares and (2) Long Precise agreed to sell and Ms. Zhang agreed to purchase 4,939,743 Shares. Upon completion of the above transactions, Long Precise ceased to hold any Shares. Upon completion of the Global Offering, Shares held by Kai Le would be counted as public float, whilst Shares held by Ms. Zhang would not be counted as public float.

HISTORY, DEVELOPMENT AND REORGANIZATION

Details of the Pre-IPO Investments are summarized below:

| | | | | | | |
|---|--|---|--|---|--|---------------------------|
| Name of the investor | Mr. Lai | Mr. Ho | Dr. Qian | Ms. Zhang | Long Precise | Bradbury |
| Date of agreement | September 30, 2019 | September 30, 2019 | February 29, 2020 | February 29, 2020 | September 30, 2020 | February 17, 2021 |
| Number of Shares subscribed for | 75,000,000 Shares (Note a) | 75,000,000 Shares (Note a) | 7,500,000 Shares | 5,000,000 Shares | 12,820,512 Shares | 30,094,112 Shares |
| Shareholding in our Company immediately upon completion of the Global Offering | 12.5% | 5.7% (Note b) | 1.2% | 1.7% (Note c) | N/A (Note c) | 5.0% |
| Consideration | RMB300,000 | RMB300,000 | HK\$1,500,000 | HK\$1,000,000 | HK\$37.5 million | HK\$200 million |
| Basis of determination of the consideration | After arm's length negotiation between the parties with reference to the registered capital to be contributed by Lhasa Juchuang | | After arm's length negotiation between the parties with reference to the fair value of the relevant Shares as appraised by an independent valuer at the time of the investment | | Post-money valuation of our Group at HK\$4 billion, which was determined after arm's length negotiation with reference to the status of our businesses carried out by our Group | |
| Date on which consideration was fully settled | July 29, 2020 | July 29, 2020 | March 3, 2021 | June 16, 2021 | September 30, 2020 | February 23, 2021 |
| Investment cost per Share after taking into account the effect of the Capitalization Issue and the Global Offering (but before any exercise of Options under the Pre-IPO Stock Incentive Plan and Over-allotment Option) | HK\$0.003 | HK\$0.003 | HK\$0.15 | HK\$0.15 | HK\$2.20 | HK\$5.00 |
| Discount/(premium) to the Offer Price | 99.9% | 99.9% | 96.5% | 96.5% | 48.2% | (17.7)% |
| Use of net proceeds and its utilization by our Company | As the Pre-IPO Investment by Mr. Lai was effected by way of equity transfer between each of them and Lhasa Juchuang, no proceeds were received by our Group. | As the Pre-IPO Investment by Mr. Ho was effected by way of equity transfer between each of them and Lhasa Juchuang, no proceeds were received by our Group. | As the Pre-IPO Investment by Dr. Qian was effected by way of equity transfer between Dr. Qian and Lake Ranch, the consideration was paid to Lake Ranch and no proceeds were received by our Group. | As the Pre-IPO Investment by Ms. Zhang was effected by way of equity transfer between Ms. Zhang and Lake Ranch, no proceeds were received by our Group. | General working capital. As of the Latest Practicable Date, approximately 40% of the net proceeds from the Pre-IPO Investments by Long Precise and Bradbury had been utilized as intended. | |
| Public float under the Listing Rules | No | Yes (Note b) | No | No | (Note c) | Yes |
| Lock-up | 12 months from our Listing | 12 months from our Listing (Note d) | 12 months from our Listing | 12 months from our Listing | (Note c) | 6 months from our Listing |

HISTORY, DEVELOPMENT AND REORGANIZATION

Notes:

- (a) The Shares correspond to our Shares which were allotted to each of Mr. Ho and Mr. Lai on August 4, 2020; and is equivalent to the percentage of Star Plus (Kunshan)'s equity interest acquired by each of them from Lhasa Juchuang.
- (b) Lake Ranch, as the Selling Shareholder, would sell 48,000,000 Shares in the Global Offering. Upon completion of the Global Offering, the Shares beneficially owned by Mr. Ho will be counted as public float.
- (c) On May 5, 2023, Long Precise entered into a share transfer instrument with Kai Le and Ms. Zhang respectively, pursuant to which (1) Long Precise agreed to sell and Kai Le agreed to purchase 7,880,769 Shares and (2) Long Precise agreed to sell and Ms. Zhang agreed to purchase 4,939,743 Shares. Upon completion of the above transactions, Long Precise ceased to hold any Shares. Upon completion of the Global Offering, Shares held by Kai Le would be counted as public float, whilst Shares held by Ms. Zhang would not be counted as public float.
- (d) Each of Lake Ranch and Kai Le, being a company wholly owned by Mr. Ho, agreed not to dispose any of our Shares for a period of twelve months commencing on the date of our Listing.

Strategic benefits to our Company

Our Directors are of the view that the investments made by the Pre-IPO Investors demonstrate their confidence in the operation of our Group and serve as an endorsement of the performance and prospect of our Group. In addition, at the time of respective investment made by our Pre-IPO Investors, our Directors were of the view that our Group could benefit from the Pre-IPO Investors' business connection network, knowledge and experience.

Further, our Directors believe that (i) the Pre-IPO Investments allow us to enlarge our shareholder base and to align the interest of Dr. Qian and Mr. Lai, being members of our senior management, with that of ours, (ii) we can benefit from Mr. Ho's knowledge on capital markets and strategic advice given Mr. Ho's experience in identifying investment targets, enhancing their performance and providing support and advise, and (iii) Bradbury is a cross-border investor with a focus on China's fast growing industries and companies which are similar to our Group.

Background of the Pre-IPO Investors

Mr. Lai

Mr. Lai is an executive Director and a member of our senior management team. Please refer to the section headed "Directors and senior management – Board of directors – Executive Directors" in this prospectus for the background information on Mr. Lai.

Mr. Ho

Mr. Ho became acquainted with Ms. Ma and Mr. Lai in 2008 when they were previously involved in a company which one of the funds of IDG Capital has invested in. Mr. Ho has over 15 years of experience in banking, finance and direct investment and is the chief financial officer of IDG Capital, an investment firm focusing on developing companies through its expertise in private equity, venture capital and mergers and acquisitions. Our Founders believe that Mr. Ho can provide valuable guidance on the growth and development of our business, and since our Founders had the idea to commence their own business, Mr. Ho has shared his experience and insights on e-commerce. Lake Ranch is an investment holding company incorporated in the BVI and wholly-owned by Mr. Ho.

Upon discussions among our Shareholders, it was agreed that Lake Ranch would be the Selling Shareholder so as to broaden the shareholder base of our Company, increase the public float, and reduce the concentration of our Shares in public hands. After the Global Offering, Mr.

HISTORY, DEVELOPMENT AND REORGANIZATION

Ho remains to be one of our Shareholders and can focus on the long-term capital growth of our Company upon Listing, which is in line with his investment strategies and objectives.

Dr. Qian and Ms. Zhang

Dr. Qian is an executive Director and a member of our senior management team. Please refer to the section headed “Directors and senior management – Board of directors – Executive Directors” in this prospectus for the background information on Dr. Qian. Mr. Ho became acquainted with Dr. Qian in 2004 when they were involved in a company which one of the funds of IDG Capital has invested in. As Dr. Qian has been continuously involved in formulating the overall business strategy of our Group, he has been confident of our prospects. Ms. Zhang is the spouse of Dr. Qian. Dr. Qian and Ms. Zhang also factored the potential increase in valuation of the company after becoming a public company.

Mr. Ho decided to sell part of his interest in our Company, after arm’s length commercial negotiations with Dr. Qian and Ms. Zhang, and having compared the immediate capital gain from selling part of Mr. Ho’s interest in our Company against the initial investment cost taken out by Mr. Ho together with Dr. Qian’s management role in our Group.

Long Precise

Long Precise is an investment holding company incorporated in the BVI. To our Company’s knowledge, as of the Latest Practicable Date, Long Precise was owned as to 61.47% and 38.53% by Mr. Ho and Ms. Zhang, respectively. Mr. Ho became acquainted with Ms. Zhang through Dr. Qian. As there has been a continuous increase in demand of our products and expansion of our distribution network, Mr. Ho and Ms. Zhang were of the view that the valuations of high growth potential companies like us would remain at a relatively high level and it would be worthwhile to increase their shareholding in our Company. On May 5, 2023, Long Precise transferred all the Shares it owned to Kai Le and Ms. Zhang. Upon completion of the above transactions, Long Precise no longer holds any Shares.

Bradbury

Bradbury is wholly-owned by Bradbury Strategic Investment Fund A, an independent mutual fund registered in the Cayman Islands. Bradbury Asset Management (Hong Kong) Limited, a company licensed to conduct type 9 (Asset Management) regulated activities as defined under the SFO, has been appointed as the Investment Manager of Bradbury Strategic Investment Fund A. The aggregate asset under management by Bradbury Asset Management (Hong Kong) Limited amounted to over US\$1.6 billion. Bradbury Group specializes in offering International securities brokerage, asset management, investment funds and wealth management services to accredited investors; and its prime private equity portfolios spans across capital markets, real estate developments, green technology, e-commerce, healthcare.

Bradbury and Bradbury Securities Limited are both indirectly wholly-owned by Mr. Loo, See Yuen. Other than Bradbury’s shareholding in our Company and Bradbury Securities Limited being a Joint Global Coordinator, a Joint Bookrunner, a Joint Lead Manager and the Stabilizing Manager, Bradbury and its associates do not have other relationship or dealings with our Group.

Special rights granted to the Pre-IPO Investors

No special rights were granted to Mr. Lai, Mr. Ho, Dr. Qian, Ms. Zhang and Long Precise (before it transferred its Shares to Kai Le and Ms. Zhang). For the purpose of expressing confidence in the long term value of the Company, each of Mr. Lai, Dr. Qian, Ms. Zhang, Lake Ranch and Kai Le (being companies wholly owned by Mr. Ho), has voluntarily agreed and

HISTORY, DEVELOPMENT AND REORGANIZATION

undertakes to us, the Sole Sponsor and the Joint Global Coordinators that without the prior written consent of each of us and Bradbury Securities Limited, he/she/it will not, and will cause his/her/its associates not to, whether directly or indirectly, at any time during the period of twelve months commencing on the date of the Listing, dispose of, in any way, any of our Shares or any interest in any company or entity holding our Shares.

Bradbury may require our Company to redeem the Shares subscribed by Bradbury during its Pre-IPO Investment when: (i) a Qualified IPO does not take place by December 31, 2021; (ii) our Company withdraws its listing application; (iii) our listing application being rejected by the Stock Exchange or any competent authority; or (iv) our listing process being terminated or our listing application has lapsed for any reason. The redemption price will be equivalent to the subscription price paid by Bradbury for its Pre-IPO Investment. Such right was suspended immediately prior to the submission of the listing application form of our Company to the Stock Exchange for the purpose of the Global Offering. “Qualified IPO” means an initial public offering with a valuation based on the offer price of the IPO which, impliedly values the equity value of our Group immediately after our Listing at not less than HK\$6 billion. Our Company shall obtain a consent from Bradbury if the Qualified IPO cannot be achieved, and such consent has been obtained. Bradbury undertakes to us that without the prior written consent of us, it will not at any time during the period of six months commencing on the date of the Listing, dispose of, in any way, any of our Shares.

Investment cost per Share and discount to the Offer Price

The basis of the consideration for the share transfers to Mr. Lai and Mr. Ho of HK\$0.003 per Share was determined and agreed in 2017 when Lhasa Juchuang decided to divest from Star Plus (Kunshan). At that time, our business model was still being developed and its prospects was uncertain, which resulted in the relatively low valuation.

The increase in investment cost per Share from HK\$0.003 in September 2019 to HK\$0.15 in February 2020 was mainly due to the fact that we started to become profitable in 2018 and our prospects and outlook were considered promising, especially in view of the expansion of the product offerings in 2019 and the expected growth of the new retail segment with the launch of *MODONG* coffee.

The increase in investment cost per Share to HK\$2.20 in September 2020 was resulted from the spike in sales of *MODONG* coffee during the first half of 2020; and the expected significant increase in our revenue and net profit in 2020.

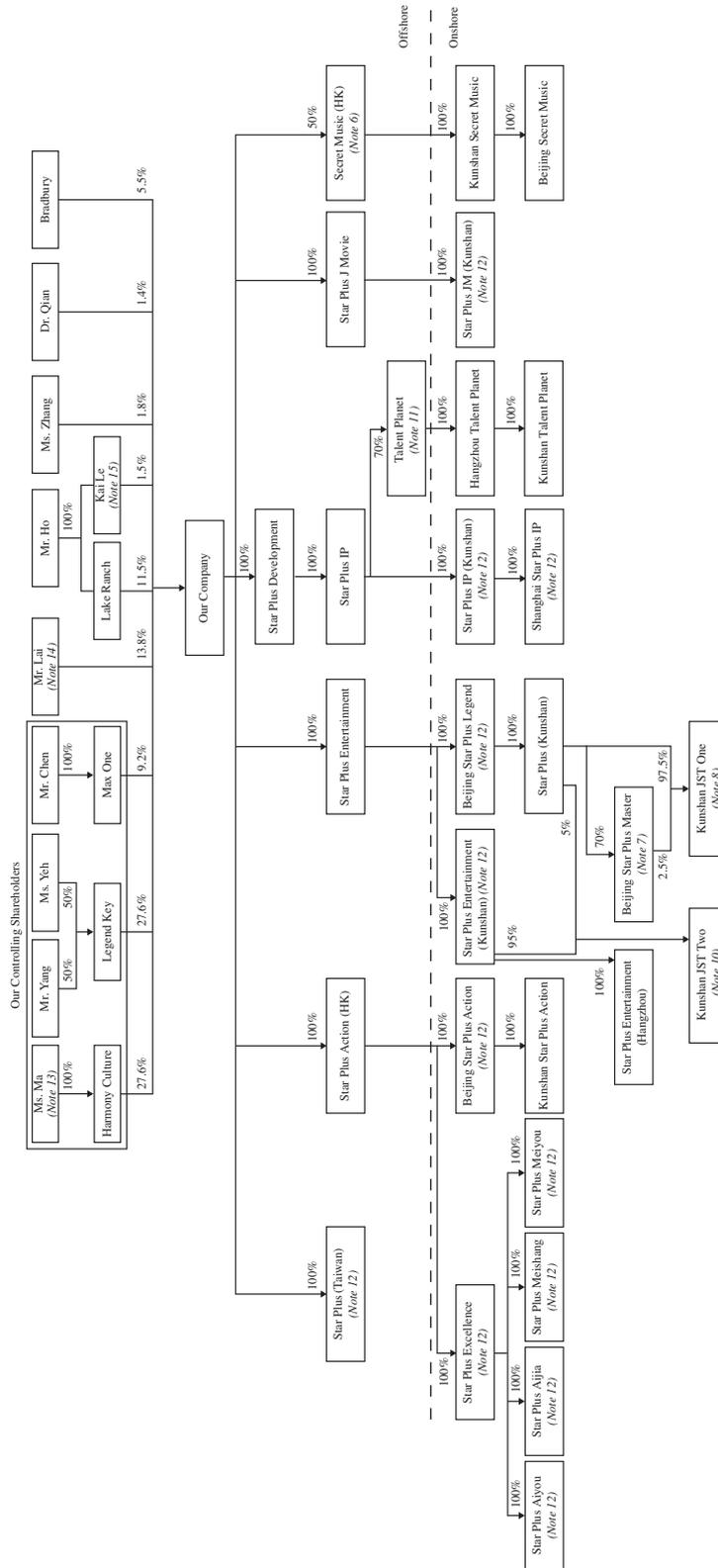
The increase in investment cost per Share to HK\$5.00 in February 2021 was supported by our financial performance in 2020, our management accounts, our plan for Listing, and the prevailing optimistic market conditions and market sentiment at that time.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

On the basis that (i) the consideration for each of the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange and (ii) no special right was granted to any Pre-IPO Investor that will survive after the Listing, the Sole Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Guidance Letter HKEX-GL-29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets out our Group's corporate and shareholding structure immediately upon completion of the Reorganization and Pre-IPO Investments but prior to the Global Offering and the Capitalization Issue (without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Pre-IPO Stock Incentive Plan):



HISTORY, DEVELOPMENT AND REORGANIZATION

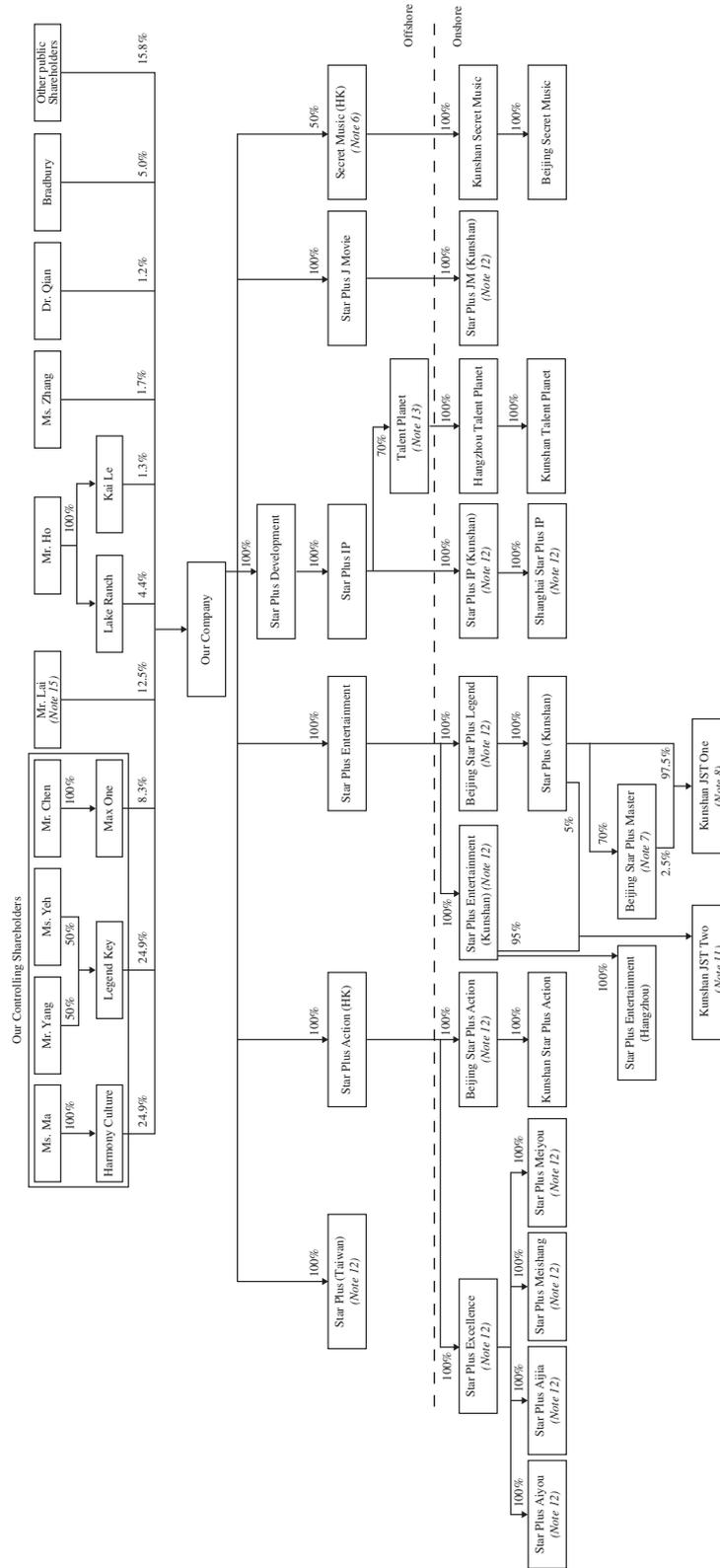
Notes:

For notes 6 to 8, please refer to the paragraph headed “Our structure before the Reorganization” in this section.

- (10) Kunshan JST Two Management Centre (Limited Partnership) (昆山杰未企业管理中心(有限合伙)) (“**Kunshan JST Two**”) is a limited partnership established in the PRC on January 6, 2020 with Star Plus (Kunshan), our indirectly wholly-owned subsidiary, as the general partner. Kunshan JST Two is intended to be the project company for *J-Style Trip* season two.
- (11) Talent Planet was incorporated in Hong Kong on November 26, 2021. To the knowledge of our Company, the ultimate beneficial controller of W&V is Meng Ching-Jung (孟慶榮), the mother of Ms. Vivi Wang.
- (12) These companies were established along with the Reorganization and had been our wholly-owned subsidiaries since establishment. Neither of them is our major subsidiary.
- (13) On December 26, 2020, Best Million agreed to transfer 150,000,000 Shares at a nominal consideration of US\$1 to Harmony Culture, with reference to the fact that Best Million and Harmony Culture are wholly owned by Ms. Ma.
- (14) On December 2, 2020, Star Media repurchased one share in Star Media from Mr. Lai, using Star Media’s entire shareholding in our Company (i.e. 75,000,000 Shares) as consideration. Upon completion of the repurchase, Mr. Lai is the beneficial owner of 75,000,000 Shares.
- (15) On May 5, 2023, Long Precise entered into a share transfer instrument with Kai Le and Ms. Zhang respectively, pursuant to which (i) Long Precise agreed to sell and Kai Le agreed to purchase 7,880,769 Shares and (ii) Long Precise agreed to sell and Ms. Zhang agreed to purchase 4,939,743 Shares. Upon completion of the above transactions, Long Precise ceased to hold any Shares.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart sets out our Group’s corporate and shareholding structure upon completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes):



Note: For notes 6 to 8 and 11 to 13 and 16, please refer to “– Our structure immediately prior to the Global Offering” in this section.

HISTORY, DEVELOPMENT AND REORGANIZATION

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, the relevant equity transfers in respect of our subsidiaries in the PRC as described in this section have been properly and legally completed in accordance with applicable PRC laws and regulations in all aspects, and all necessary PRC regulatory approvals have been obtained in accordance with applicable PRC laws and regulations.

M&A Rules

Under the M&A Rules, a foreign investor shall comply with M&A Rules when a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign enterprise via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise.

As advised by our PRC Legal Advisors, no approval from MOFCOM or CSRC under the M&A Rules is required, for the reason that our ultimate individual Controlling Shareholders, i.e. Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen, are holders of Taiwan passports, the establishment and acquisition of our onshore companies are not subject any approvals under the M&A Rules.

SAFE Circular No. 37

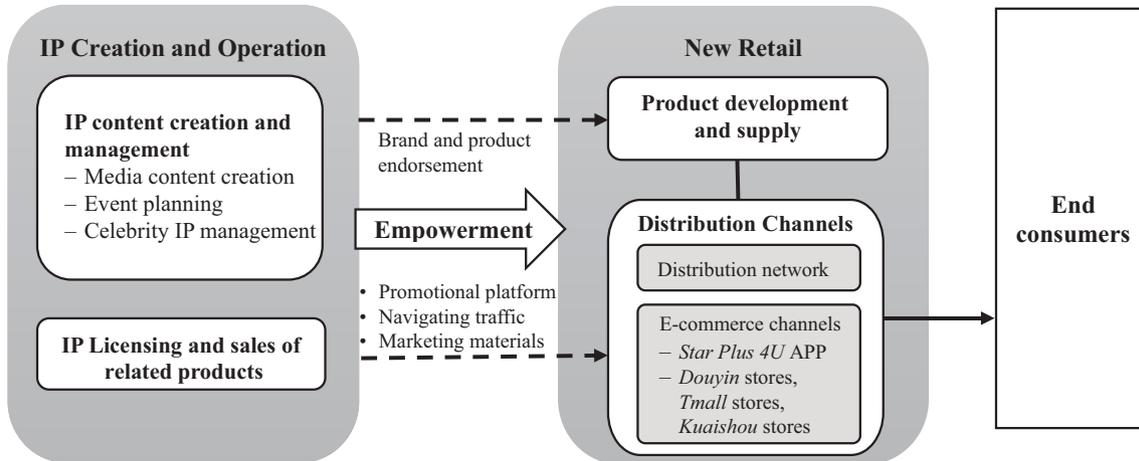
Referring to the section headed “Regulatory Overview – Regulations in relation to foreign exchange” in this prospectus, SAFE Circular No. 37 requires PRC residents to register with local branches of SAFE with regard to their establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing. SAFE Circular No. 37 further requires amendment to the registration in the event of any significant changes with respect to, among other things, the special purpose vehicle, the domestic individual resident shareholder, the operating period, capital and merger or division events.

Our Founders, which are our ultimate individual Controlling Shareholders, are holders of Taiwan passports and they used their offshore funds to invest in our Company. Based on the foregoing, our PRC Legal Advisors is of the view that our Founders, Mr. Lai and Mr. Ho shall not make the SAFE 37 Registration for their investment in our Company.

OVERVIEW

Our business operations consist of two segments, namely new retail segment and IP creation and operation segment. Each segment can be a source of revenue of its own, while our IP creation and operation segment can also create a synergy effect by acting as one of our marketing tools to promote our new retail products.

The diagram below illustrates our business model:



We (i) develop and introduce suitable products to the market; (ii) establish extensive sales channels, including extensive distributorship network and e-commerce channels; (iii) cooperate with celebrities for IP content creation; and (iv) utilize our celebrity IPs and associate IP contents for the marketing and promotion of our products, along with other sales and marketing strategies and activities.

Our new retail business

In respect of our new retail business, we focus on development and sale of low-carb health management products, as well as skincare products.

During the Track Record Period, a majority of our revenue for new retail business derived from sales of *MODONG* coffee, of which we started the nationwide distribution in April 2019. *MODONG* coffee is a type of bulletproof, which is a type of beverage containing high-fat specially designed for low-carbohydrate diet plan to meet the plan's fat/energy ratio. In 2022, we were the largest company in China's bulletproof drink market in terms of GMV, with a market share of 24.9%.

Leveraging our success with *MODONG* coffee, we launched a number of other low-carb drinks and food under the *MODONG* sub-brand that further exemplify our strategy to offer our end consumers a portfolio of complementary low-carb health management products. In 2022, we launched our matcha powder under a new product line, *Ai Chi Xian Mo Ren* (愛吃鮮摩人), featuring healthy and additive-free food products. In addition, we launched multiple product

sub-brands in the skincare market, including *Dr.mg* and *Chaxiaojie*. The products under the *Dr.mg* sub-brand are designed to address various skin problems caused by skin aging which target aging population, whereas the products under *Chaxiaojie* sub-brand target younger generation. We will continue to develop and launch new products for our new retail business from time to time.

We primarily distribute our products through (i) a network of distributors and sub-distributors; and (ii) other e-commerce channels such as online stores operated on social media platforms. We conduct E-commerce Livestreaming through our *Douyin* account from time to time to promote the sale of our products. During the Track Record Period, we generated a substantial portion of revenue from sale of our products under the new retail segment through a network of distributors and sub-distributors. We consider our sales of products as a new retail business, as we primarily adopt a community-based social e-commerce model, where our distributors and the sub-distributors procured by them mainly promote and sell our products through a combination of online commerce elements (through social e-commerce channels, such as WeChat, *Douyin* and *XiaoHongShu*) and offline channels (through offline meetings among our distributors, sub-distributors and end consumers, such as annual events, conferences and/or face-to-face sales at distributors promotion meetings). Our distributors and sub-distributors are also consumers of our products. Some of them have further developed into KOCs and promote our products in their respective private domain traffic or PDT through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers, through which we can effectively extend the consumer reach of our products. Apart from our use of KOCs, we also collaborate with KOLs to promote our products through sharing and posts and/or sell our products through E-commerce Livestreaming sessions on online platforms.

Our IP creation and operation business

Our IP creation and operation business comprises:

- (i) IP content creation and management business, including provision of (a) media content creation; (b) event planning; and (c) celebrity IP management services; and
- (ii) IP licensing and sales of related products.

In media content creation, we mainly provide organizing, planning and other project management services to the production of programs. For example, we are the lead creator and own the IPs of *J-Style Trip* season one, which is a 12-episode reality show starring Mr. Jay Chou aired on Zhejiang Satellite TV as well as Netflix and MGTV (芒果TV) in March 2020. *J-Style Trip* season one was well-received by TV audience. The average viewership rating of all 12 episodes ranked first among all TV programs broadcasted during the same timeslot from March to June 2020, according to publicly available rating data. We were also involved in the planning and creation of a popular music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) that was centered around Mr. Harlem Yu and a variety show, that was centered around Mr. Liu Keng-hung.

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In event planning, we generally act as an event planning service provider, an investor and/or sub-contractor for large scale music concerts and other events. For example, we initiated and acted as a planning service provider to Zhanjiang Superstar Concert (湛江超級巨星演唱會) in August 2019 and initiated and acted as a planning service provider and an investor to Ningbo Superstar Performance Mega Night (寧波巨星行動超級夜) in January 2020. Through our experience and management's networking in the Chinese entertainment industry, we are able to gather different units to organize the creation of media content, as well as music concerts and other events.

In celebrity IP management, we collaborate with celebrities and/or KOLs where we are responsible for the development of their respective IPs. We are involved in the planning and development of the public persona of celebrities and/or KOLs in, among others, Livestreaming sessions, online short videos and other online and offline performances on social media platforms, in order to attract audiences and/or followers with similar interests or concerns.

For celebrity IP licensing and sales of related products, we created bespoke brands and associated IP contents based on our proprietary unique celebrity IPs, including a nijigen-style personality, namely *ChouMate*. Nijigen-style personality is two dimensional anime, manga or real-life person inspired fictional character. We may license our celebrity IPs to our customers and receive licensing fees and create and sell products related to the celebrity IPs.

Synergy between our new retail business and our IP creation and operation business

Empowerment of our new retail business by our unique celebrity IPs is achieved through creating promotional effect at multiple complementary venues and platforms rather than a simple brand name association, which we believe lends credibility and marketability to our products, enhances the brand recognition of our products, and maintains the trust and confidence of our distributors and customers. In 2020, we promoted *MODONG* coffee in *J-Style Trip* season one by means of advertisement, spot cut and discrete product placement. We also promoted healthy eating and lifestyle through Livestreaming sessions of Mr. Liu Keng-hung and Ms. Vivi Wang, and promote our products, such as Matcha powder and *MODONG* light brewed coffee during E-commerce Livestreaming sessions conducted via our *Douyin* account under the name of “劉畊宏肥油咔咔掉” since July 2022. In addition to *ChouMate*, we started to use nijigen-style personalities of Mr. Liu Keng-hung and Ms. Vivi Wang, namely “*Coach Liu* (劉教練)” and “*Vivi*” in the promotion of our products.

The judicious use of celebrity IP and our sales channels, including its distribution network, enabled us to achieve overall financial growth during the Track Record Period.

We plan to continue to create more media contents and concerts, which may empower our new retail business through creating promotional effect to promote our products. With our capability and experience in using the strengths of these different business components in an effective and efficient manner to create synergy effect, we believe we would be able to sustain our business and achieve growth in our business going forward.

OUR COMPETITIVE STRENGTHS

A new retail operator empowered by proprietary celebrity IPs that achieved rapid and significant growth

We are a relatively new market entrant that quickly became the largest new retail company in China's bulletproof drink market in terms of GMV in 2022 with a market share of 24.9%.

We believe we achieved our leading market position in the developing bulletproof drink market in China by leveraging our unique celebrity IPs. Through our IP creation and operation business, we quickly broke the entry barrier and ramped up operation scale. We believe our IP creation and operation business grants us mass consumer reach and significant consumers and distributors retention power on social media. We may use our unique celebrity IPs to empower our products for new retails business by creating a promotional effect, as well as other sales and marketing activities, such as traditional advertisements, providing trial samples and packaged gifts, hosting various events, conference and meeting, etc..

Our unique celebrity IPs empowers our product branding, our distribution network expansion and consumer procurement. We have created and operated a portfolio of various forms of proprietary IPs. We promoted our *MODONG* coffee with the empowerment of Mr. Jay Chou-related IPs, in particular through featuring our product on *J-Style Trip* season one in the first half of 2020, as well as using the nijigen (二次元)-style personification of Mr. Jay Chou, namely *ChouMate*, as one of the means to market *MODONG* coffee. We believe the association with Mr. Jay Chou instantly appeals to the existing fans and lends credibility to new consumers for the product and promotes our brand awareness, which help us achieve significant sales growth since its nationwide launch in April 2019. With successful promotion of *MODONG* coffee through the empowerment of Mr. Jay Chou-related IPs during the Track Record Period, we have become a leader in the bulletproof coffee market in the PRC and *MODONG* coffee has become a well-known brand in the PRC by virtue of the specification of the product.

We have diversified our IPs portfolio by creating IPs that are related to other celebrities since 2021, namely *You Can Run But You Can't Hide* (既來之則樂之), that was centered around Mr. Harlem Yu, and a variety show that was centered around Mr. Liu Keng-hung. Since December 2021, we have further expanded our distribution channels to E-commerce Livestreaming on *Douyin*, which is directly linked to our *Douyin* stores, and conducted marketing and promotion activities through, among other things, cooperation with Mr. Liu Keng-hung, Ms. Vivi Wang and other KOLs to promote our products. With (a) the Group's historical success in IP creation and operation; (b) the management's extensive network/experience in the Chinese entertainment industry; and (c) our collaboration with various celebrities and creation of TV programs and music concerts in the PRC, we believe we will be able to continue to create celebrity IPs by cooperating with celebrities.

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We believe the involvement of celebrity IPs has empowered our product distribution and consumer retention, and has enabled us not only to quickly procure end consumers in mass without having to incur significant sales and marketing expenses within a short period of time after the product launched, but also to maintain high consumer loyalty for our products.

Going forward, we can leverage the experience in our success with *MODONG* coffee and adapt the growth strategies to new product launched and the promotion of other products.

Quickly established leading marketing position in China's bulletproof drink market resulted from our extensive research and development knowledge of the bulletproof drink market and consumer preference in low-carb diet

We derived the concept of *MODONG* coffee, which is a type of bulletproof drink, from a low-carbohydrate diet regime that enjoys global popularity in recent years. We developed the recipe of our product in collaboration with our supplier based on extensive market research, in order to distinguish our products from existing competitive products in consumption experience. We performed data amalgamation and analyzes of targeted consumer demography and conducted pilot tests and consumer tastings. Based on such market research, we believe many competing products were rejected by consumers because they demand a stringent diet scheme to accompany the products to be effective. As such, our *MODONG* coffee formula is designed to complement the low-carb diet regime but does not demand consumers to drastically deviate from their routine diet.

As a result, *MODONG* coffee is well received by the market since its launch with a rapid growing consumer base, evidenced by the increase in average monthly sales amount from RMB9.0 million in 2019 to RMB27.7 million in 2020. In addition to consumer acceptance, *MODONG* coffee was also recognized by industry peers and awarded Reputation of Popularity (人氣口碑獎) by PCLADY in 2019 and Annual Popular Bulletproof Coffee Award in 2020 Rayli Fashion List (瑞麗潮流大番榜年度暢銷防彈咖啡), which is a well-recognized award in the fashion industry.

The health management community-based social e-commerce industry in China increased from RMB16.8 billion in 2017 to RMB25.6 billion in 2022, in terms of GMV. We believe we are well positioned to sustain and further increase our operational scale and revenue. We can leverage our initial success in *MODONG* coffee and further expand our market shares in the health management market. We have a portfolio of newly launched health management products, in addition to our *MODONG* coffee. We believe such new health management product offerings are complementary to our existing product line and further diversify our revenue source.

Rapid and organic growth of the distribution network with a focus on KOC development and PDT marketing

We believe one of the sales and marketing strategies that distinguishes us from other market participants is our focus on, and ability to, utilize PDT to monetize our unique celebrity IPs model to quickly procure loyal consumers, as the association between celebrity and our

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products can enhance visibility and affinity to such products. Such PDT refers to private-controlled net traffic flow through private channels such as WeChat where a community of subscribers who share similar purchase behavior and preference participate in group chat. We could develop such subscribers into consumers of our products by targeted promotion, in particular by our distributors who become KOC in such PDT.

Many of our distributors and sub-distributors are themselves committed and loyal consumers of our products. For example, certain of our distributors are small business owners of offline shops who used our products before. By converting to our distributors and promoting our products to their customers through online and offline channels, they can increase their revenue source and diversify their distribution channels. Such conversion helps to mitigate the negative impact of e-commerce on owners and employees of small offline businesses and incorporate them into the new “Internet+ (互聯網+)” development. Certain distributors and sub-distributors are motivated by our success and strived to become KOCs in their relevant PDT through voluntary promotion of our products to their respective subscribers by invoking their personal experience and influence. Kunshan Tingshe, our Distribution Agent for Kunshan Tingshe Distributed Products, provides assistance and relevant trainings to such distributors and sub-distributors on sales and marketing techniques.

We were able to quickly grow our sales for Kunshan Tingshe Distributed Products through the expansion of such tailor-made distribution network designed for our new retail business during the Track Record Period. As of December 31, 2019, 2020, 2021 and 2022, our distribution network consisted of 74, 575, 699 and 742 distributors and 2,719, 16,519, 18,871 and 16,044 sub-distributors, respectively. The increase in the number of distributors and sub-distributors extended our consumer reach both online and in terms of geographic coverage. We believe an expanded distribution network also increases the awareness of our products through community and word-of-mouth promotion, which in turn increases the sales of our products.

Community-based social e-commerce is a relatively new industry. As an early entrant to this new industry, we actively educated our distributors and communicated with competent authorities about the legitimacy of our business operations. For example, following regulatory reviews of our distribution model, Kunshan AMR published the Inspection Opinions affirming the legitimacy of our distribution model for *MODONG* coffee. Subsequently, we were treated by Kunshan AMR as a social e-commerce pilot enterprise to participate in the Kunshan Pilot Program. For more details, please refer to the paragraph headed “Distribution network – Distribution Agent Assisted Distribution Model – Regulations relating to pyramid selling – The Temporary Suspension of Bank Accounts due to alleged pyramid selling” in this section. We believe such recognition of our Group by the government authority could have long-term benefits on our business development.

Multi-facet IP creation and operation business that provides critical empowerment for our new retail business through creating promotional effect to promote our products and diversifies our revenue source

Our IP creation and operation capacity includes media content creation, event planning, celebrity IP creation and licensing, and celebrity IP management. To maximize the potential of our unique proprietary celebrity IP assets, we developed the capacity and expertise to create different types of IPs that enable us to operate with a relatively new product distribution model. We market our branded products in association with our unique celebrity IPs, and our content IPs that feature our celebrity IPs help disseminate our product promotion on social media as well as e-commerce channels to our distributors, the sub-distributors and end consumers. We believe our IP creation and operation business will continue to provide critical empowerment for our new retail business.

Nijigen-style personality

We designed, developed and co-owned the *ChouMate* nijigen in collaboration with JVR Music, Mr. Jay Chou's artiste management company. The *ChouMate* nijigen is instantly recognizable as artistic personifications of Mr. Jay Chou. We market certain products, including *MODONG* coffee, in association with the *ChouMate* nijigen, in order to empower our product branding and distribution network and enhance consumer loyalty. Apart from creation of nijigen-style personality for Mr. Jay Chou, we have collaborated with other celebrities, such as Mr. Liu Keng-hung and Ms. Vivi Wang, regarding the creation and usage of nijigen-style personalities inspired by them, and are continuously exploring feasibility of designing and creating nijigen-style personality for other celebrities as well. Please refer to the section headed "Cooperation with celebrities" in this prospectus for details. We expect we would be able to apply the same business model that we use on *ChouMate* with other celebrity-inspired nijigen-style personality(ies).

Events, concerts and TV programs

In our media content creation segment, our ability to create and plan events and concerts helps us to maintain cooperation with celebrities and provides us a certain extent of control in advertisement and product promotion. For example, we created and owned the trademark of *J-Style Trip* season one, which was aired on Zhejiang Satellite TV as well as Netflix and MGTV (芒果TV) in March 2020.

Livestreaming sessions

Leveraging on the experience in celebrity IP creation of our management team, we have also been involved in the strategic planning and development of Mr. Liu Keng-hung's public persona and profile on social media platform since November 2021. In particular, we are involved in selecting the target audience and preparing the contents and presentation of his Livestreaming sessions, such as development of ideas and production of content of the Livestreaming sessions that links the different brands to their respective target audience in order

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to create promotional effect. Given Livestreaming is a consumer-interaction focused promotional tool, our Directors believe our involvement in preparing the contents and presentation of Mr. Liu Keng-hung's Livestreaming sessions is an important contributing factor to Mr. Liu Keng-hung's increased popularity in 2022. Our contribution to the contents and presentation of the Livestreaming sessions includes, among others, advise on how Livestreaming sessions shall be conducted, including Mr. Liu Keng-hung's outfit, the guest(s) to be invited, how the rhythm of Livestreaming sessions are controlled, and how Mr. Liu Keng-hung and his guest(s) interact with audiences of Livestreaming sessions, all of which are very critical in catching the attention of audiences (also being target consumers) and conveying the appropriate messages to them (e.g. promotion of the relevant products). For details regarding cooperation with Mr. Liu Keng-hung, please refer to the section headed "Cooperation with celebrities – cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang" in this prospectus.

Visionary management with decades of relevant industrial experience and continued support from Mr. Jay Chou

We owe our success to the visionary strategic planning of our senior management, which was key to our Group's quick expansion into the market within a short period of operations. Our Founder, Ms. Ma, Hsin-Ting, has over 20 years of experience in cultural, media and financial industries. Our chief executive officer, Dr. Qian, Sam Zhongshan has over 20 years of experience as senior management of companies in various industries, including enterprise that engaged in online marketing. The head of our event planning team and our chief program officer, Mr. Chang, Chih-Peng, has rich experience in entertainment program production and execution, was the producer of reality shows. The head of our IP licensing department, Ms. Zhou, Peimin, has more than 10 years' experience in IP licensing and e-commerce, and is responsible for developing our IP strategies.

In addition, we receive support and direction from Mr. Jay Chou, in particular in our IP creation and operation segment. We have entered into the IP Authorization Agreement with JVR Music, whereby JVR Music has granted us an exclusive right in relation to the development of projects related to *ChouMate* and non-exclusive priority right to invest in certain types of projects related to Mr. Jay Chou, including but not limited to the creation of other virtual idols centered on Mr. Jay Chou's image in anime and movies projects and to design, create, plan, invest and launch certain shows (including variety shows designed and developed by Mr. Jay Chou).

OUR STRATEGIES AND FUTURE PLANS

Our goal

We believe the empowerment of our new retail business by our unique celebrity IPs is what sets up apart from our competitors and led to our success with *MODONG* coffee. Going forward, our goal is to solidify and replicate the success of our unique IP-empowerment business model with additional core products and IP contents, by leveraging the experiences that we gained from *MODONG* coffee. We will continue to implement our strategies to offer our consumers with

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products for their low-carb life style. Towards that end, we will continue to leverage our IP creation and operation capacity to build and expand the fan base of our unique celebrity IPs and offer our consumers an increasing variety of core products. In particular, we aim to diversify our product offerings that complement our low-carb diet regime through enhanced research and development, and strengthen our control in research and procurement of key ingredients in our health management and skincare products.

Further diversify our product portfolio through product development

We plan to leverage our experience with *MODONG* coffee to expand in the health management and skincare markets by diversifying our product offerings to the existing and potential consumers.

During the Track Record Period, we focused on measures that help us break into the health management market with *MODONG* coffee as our core product, including research and development of the recipe and formulas for the product through or in collaboration with our suppliers, and expansion of its distribution network. We quickly followed the initial success of *MODONG* coffee and offered various additional complementary low-carb food and drinks. We incurred expenses of approximately RMB2.6 million, RMB9.2 million and RMB12.6 million in the year ended December 31, 2020, 2021 and 2022, respectively on research and development, which were primarily salaries and benefits paid to our internal research and development team.

Going forward, we plan to exert more control over our product development and develop our exclusive formulas on foods and beverages and skincare products. We plan to strengthen our capabilities for research and development of new products by expanding our in-house product development team as well as cooperating with external research institutes (including agricultural technology, food science and chemical engineering departments of universities). We also intend to acquire machineries and equipment to be used in research and development of our new products, including production machineries for trial production and equipment and temperature and humidity control facilities. We believe this would further strengthen our growth, our product offerings shall be diversified to appeal to a broadening demographic of end consumers and distribution channels.

More health management products and skincare products

We plan to expand our research and development capabilities and collaboration with third party institutes, and offer the low-carb series of popular food and drinks to our consumers by further launching no fewer than 30 food and beverages and 30 skincare products in the three years ending December 31, 2025, after taking into account (i) the market size of China's health management community-based social e-commerce industry, in terms of GMV, is expected to grow from RMB25.6 billion in 2022 and reach RMB38.4 billion in 2027; and (ii) the market size of China's beauty and personal care segment in the community-based social e-commerce industry, in terms of GMV, is expected to continuously grow from RMB163.2 billion in 2017 to RMB411.3 billion in 2027, which demonstrates that there is significant growth potential in these

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markets. We believe such strategy will solidify our market position and realize our vision to offer a holistic low-carb diet regime to our consumers.

We intend to use approximately HK\$21.1 million of the net proceeds from the Global Offering in the research and development of food and beverages products and HK\$19.4 million of the net proceeds from the Global Offering in the research and development of skincare products in the three years ending December 31, 2025.

We may also explore opportunities to acquire businesses that are in possession of critical technologies or formulas, such as companies specializing in technology and research, and having extensive capabilities in developing formulas for new products with know-hows for mass production of innovative key ingredients for skincare products, to quickly ramp up our competitive advantages in the market. As of the Latest Practicable Date, we were yet to identify a viable acquisition target or enter into substantive negotiation with any potential target for acquisition.

Other product lines

We plan to develop other product lines. For example, we are looking into possibilities to develop a line of pet food, pet toy and early child education products. In recent years, more households in the PRC own pets and such population is gradually becoming younger. The younger generation generally pays more attention to the health and appearance of their pets, and are willing to spend more on pet products and food. We intend to use approximately HK\$10.2 million of the net proceeds from the Global Offering on the research and development of the new product lines. On the other hand, with the large population base and the loosening of one-child policy, early child education products which are leisure in nature are expected to be more popular. Leveraging our IP creation and operation capabilities and relationship with celebrities who have a positive influence, we plan to seek licensing and cooperation opportunities with book companies and educational devices production companies to develop products. We believe the expansion of our product offerings will help us enhance our brand recognition and reach out to our potential customers. In addition, we plan to explore collaboration opportunities with other well-known companies to jointly offer new products that feature our proprietary IPs, in order to expand our market reach and further reduce customer procurement cost. We plan to utilize approximately HK\$7.7 million of the net proceeds from the Global Offering on the research and development products associated with our proprietary IPs.

At the current stage, we plan to utilize a total of approximately HK\$58.4 million, or 23.8% of the proceeds from the Global Offering in the diversification of product portfolio. For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Increase our brand exposure and product sales through online platforms

During the Track Record Period, we (a) emphasized product promotion on social e-commerce channels by KOC distributors; and (b) successfully developed Mr. Liu Keng-hung and Ms. Vivi Wang into famous KOLs on the online short videos platforms, of which we collaborated with them in the promotion of certain health management products, such as low-carb beverages, protein powder and sports related health management products launched by us.

Going forward, we plan to increase our brand exposure and product sales by hosting more E-commerce Livestreaming sessions on e-commerce channels and online short video platforms, such as *Douyin*. We could either host our own E-commerce Livestreaming sessions or cooperate with selected KOLs on their E-commerce Livestreaming sessions, and the contents of the sessions will center around our unique celebrity IPs and associated contents we create in our IP creation and operation business, to empower the sales of our products.

We consider such strategy to be important as E-commerce Livestreaming (a) is a type of platform where KOLs wield significant power of influence and can reach a large audience and potential consumers through their PDT; and (b) has experienced significant growth in recent years. We plan to increase our brand exposure and product sales online platforms which involves a combination of methods, including:

- *Enter into cooperation with well-known KOLs and e-commerce platforms to promote our products:* Our ownership of unique celebrity IPs, including those associated with different celebrities (such as Mr. Liu Keng-hung and Ms. Vivi Wang) lend us credibility in the new retail industry, which in turn could give well-known KOLs and e-commerce platforms incentives to cooperate with us in a mutually beneficiary and cost-effective manner. Towards that end, we plan to cooperate with well-known KOLs to utilize their influence on online platform to promote products for us for performance-based fees which shall be based on product sales volume.
- *Cultivate our own KOLs and develop Livestreaming accounts and programs to promote and sell our products:* We will continue to leverage our experience and resources to foster core online communities for our unique celebrity IPs and cultivate our distributor KOCs to expand our social media influence and consumer reach, and give them incentive to eventually become KOLs. We could host our own E-commerce Livestreaming sessions featuring such KOCs and KOLs cultivated by us to promote and sell our products. Towards that end, we plan to further develop our own Livestreaming accounts and programs, including operating Livestreaming accounts on social media platforms such as *Douyin* and creating Livestreaming contents. We will also cultivate KOLs and KOCs for the purpose of product promotion.

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At the current stage, we plan to utilize approximately HK\$75.1 million, or 30.6% of the proceeds from the Global Offering to expand our product and brand exposure in such additional social e-commerce channel and other media platforms. For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Continue to create high-quality and unique new IP contents to, among others, empower our new retail business

We plan to strengthen our core competitive advantage and continue to invest in the creation of high-quality and unique new IPs and associated IP contents, which we can offer to our consumers, either directly or through dissemination by our distributors and the sub-distributors, to empower our sales and marketing initiatives and new product launches. Such IPs could be offered by either traditional ways, such as on TV, or ways that would be considered to be increasingly popular amongst consumers from time to time, such as virtually on metaverse.

Towards that end, we plan to develop our IP creation and operation in the following areas:

IP content creation and event planning

We plan to continue to create additional IP contents, in particularly those in association with our unique celebrity IPs, to expand our success in promoting our products and consumer procurement through the empowerment with our IP contents. The IP content that we plan to create include:

- *New IP contents associated with our unique celebrity IPs:* we plan to continue to create traditional and social media contents such as music shows and programs, including future seasons and episodes of *J-Style Trip*. We plan to make product placement in the program to offer consumers the opportunities to make purchase during the running time of the show. We have other comparable programs in our pipeline for TV channels as well as social media platforms; and
- *Large-scale concerts:* we will continue to plan large-scale physical and/or virtual concerts featuring celebrities we collaborate with to promote our products and brands through printed advertisement at concert venue, product exhibition, gift giving or other activities.

Based on our prior experience with involvement in different programs, such as *J-Style Trip* season one, and other events, such as concert, such program and events typically require significant initial investment but we can expect to recoup the majority portion of our investment or generate net profit in the form of service or licensing fees and/or invest return from advertisement revenue.

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Celebrity IP and licensing

We plan to actively explore strategic collaboration opportunities with selected celebrities and create and register bespoke and unique celebrity IPs. Should we succeed in such efforts, we believe we can effectively increase our unique celebrity IP portfolio generate income for our IP creation and operations business, and further empower our new retail business based on the expertise and nature of fan base of such celebrities. We expect we would be able to apply the same business model that we use on *ChouMate* with other celebrity-inspired nijigen-style personality(ies). Towards that end, we plan to create (a) new designs of our existing IPs such as *ChouMate*; and (b) additional IPs by cooperating with other celebrities or KOLs to create nijigen-style personality(ies) associated with them. Efforts would also be placed on IP registration and operation, including renewing the registration of our existing IPs and, registration of new IPs and our existing IPs in other jurisdictions to safeguard our rights.

To effectively execute our IP creation and operation strategies, we also plan to hire additional qualified professionals to strengthen our IP creation capacity.

At the current stage, we plan to utilize approximately HK\$68.1 million, or 27.8% of the proceeds from the Global Offering in our IP creation and operation operations. For more details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Increase our sales and marketing efforts

During the Track Record Period, we did not incur significant sales and marketing expenses on the sales and marketing events or advertisements. Instead, we mainly relied on promoting our products through PDT which heavily relies on word-of-mouth of consumers, traditional sales and marketing activities (such as TV advertisements/sponsorships, providing trial samples and packaged gifts, hosting various events, conferences and meetings, etc.), as well as in association with IP contents and large scale events that we planned. Going forward, we plan to prudently increase our sales and marketing efforts on online and traditional sales and marketing channels to increase public exposure of our existing and new products. We plan to host mid- and large-scale promotional events, both online and offline, and purchase advertisement slots in TV programs and online programs.

Such expense is expected to be satisfied by our internal resources or external financing (if necessary).

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Upgrade our IT infrastructure and increase investment in IT research and development

As part of our investment in research and development, we plan to upgrade our IT infrastructure and increase investment in IT research and development, to support software development and research in social e-commerce channels. An upgrade in our IT infrastructure and crucial business and financial software such as an advanced ERP system will also help to enhance our internal control and financial reporting.

At the current stage, we plan to utilize approximately HK\$30.2 million, or 12.3% of the net proceeds from the Global Offering to upgrade our IT infrastructure and increase investment in IT development. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

Grow our operational scale and work force in response to our strategic plans

In response to the planned increase in product offerings, distribution operations and IP creation and operation, we may make investment in expanding our operational scale and work force. We plan to hire qualified professionals in our IP content creation and IP operation team. In addition, to further enhance consumer experience, we plan to expand our after-sales service team by hiring additional staff members. To accommodate the increase in our business scale and in anticipation to our transition into a publicly listed company, we also plan to hire management team members to enhance our internal control and financial reporting.

Such expense is expected to be satisfied by our internal resources or external financing (if necessary).

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Our business operations consist of two segments, namely new retail segment and IP creation operation segment. The table below sets forth a breakdown of our revenue by business segments:

| | Year ended December 31, | | | | | | | |
|--|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| New retail | | | | | | | | |
| Health management products | 71,927 | 83.0 | 340,787 | 74.5 | 275,261 | 75.4 | 216,036 | 62.8 |
| Skincare products | 3,450 | 4.0 | 20,422 | 4.5 | 21,274 | 5.8 | 16,272 | 4.7 |
| Others | 5,420 | 6.3 | 3,966 | 0.9 | 4,860 | 1.3 | 7,791 | 2.3 |
| Subtotal | 80,797 | 93.3 | 365,175 | 79.9 | 301,395 | 82.5 | 240,099 | 69.8 |
| IP creation and operation | | | | | | | | |
| IP content creation and management | 4,761 | 5.5 | 86,567 | 19.0 | 54,399 | 14.9 | 95,026 | 27.6 |
| IP licensing and sales of related products | 1,027 | 1.2 | 5,202 | 1.1 | 9,551 | 2.6 | 9,032 | 2.6 |
| Subtotal | 5,788 | 6.7 | 91,769 | 20.1 | 63,950 | 17.5 | 104,058 | 30.2 |
| Total | 86,585 | 100.0 | 456,944 | 100.0 | 365,345 | 100.0 | 344,157 | 100.0 |

New retail business

During the Track Record Period, the products that we sold in our new retail business included (a) health management products, which primarily included *MODONG* coffee, other products under *MODONG* brand, and products under *Dr. INYOU* brand; and (b) skincare products under *LA DEW* brand, *Dr.mg* sub-brand and *Chaxiaojie* sub-brand. Our products are sold through various distribution network as discussed under the paragraph headed “Distribution network” in this section below. We generated the substantial majority of our sale revenue for our new retail business from health management product, in particular *MODONG* coffee, during the Track Record Period.

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Health management products

We launched multiple health management products mainly under *MODONG* brand and *Dr. INYOU* brand. We may design sub-brand(s) for our health management products to capture different target consumers, if necessary. The table below illustrates the main health management products that we launched during the Track Record Period and up to the Latest Practicable Date:

| Products | Launch Time | Image | Product feature |
|---|--------------------|--|--|
| <i>MODONG coffee</i> (魔胴咖啡) | April 2019 |  | Low-carb, weight management beverage |
| <i>Molitone prebiotic gummy</i> (魔力通益生元軟糖) | January 2020 |  | Prebiotic gummy that helps maintain normal intestinal function and assists low-carb diet |
| <i>MODONG probiotics lyophilized powder</i> (魔胴益生菌凍乾粉) | October 2021 |  | Probiotics lyophilized powder that helps correct imbalances in digestive system |
| <i>MODONG herb beverage</i> (魔胴本草飲) | October 2021 |  | Drink with Chinese edible medicinal herbs and plant enzymes as its main ingredient |
| <i>MODONG MCT coffee</i> (魔胴MCT咖啡) | December 2021 |  | High medium-chain triglyceride (MCT) content beverage |
| <i>Dr. INYOU collagen peptide beverage</i> (盈養博士膠原蛋白肽飲品) | December 2021 |  | Beverage contains combination of collagen peptides |

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| Products | Launch Time | Image | Product feature |
|--|-------------|---|---|
| <i>Matcha powder (抹茶粉)</i> | July 2022 |  | Finely grounded powder of tea leaves after multiple procedures including steaming, which contains amino acids and dietary fiber, and can be used as an ingredient in pastries or directly consumed as matcha after adding water |
| <i>MODONG Light Brewed Coffee (魔胴輕萃咖啡)</i> | July 2022 |  | Light roasted coffee containing a variety of vitamins and high-purity medium-chain triglyceride (MCT) oil which can be easily absorbed with the aim to control carbohydrate intake and provide energy to users |

After consulting with an health expert, the abovementioned products focus on the concept of ketogenic diet, where these products are regarded as health management food and beverages (健康食品) as they can be consumed (i) as meal replacements for consumers who are on low-carb diets; and (ii) for weight management and as skin care supplements, as their ingredients consists of healthy elements such as ketogenic, low-carb, high-protein, high dietary fibers, vitamins, and prebiotics.

By consuming these products in long-term, they would have certain health care effect on the consumers, as compared with consuming other traditional food and beverages.

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MODONG coffee (魔胴咖啡)

We started the nationwide distribution of *MODONG* coffee in April 2019, after approximately one year of product development, tasting, pre-marketing and soft launch. Sale revenue from *MODONG* coffee was RMB71.9 million, RMB332.9 million, RMB227.8 million and RMB150.9 million in 2019, 2020, 2021, and 2022 respectively, representing 83.0%, 72.8%, 62.3% and 43.8% of our total revenue of the same periods.

Our *MODONG* coffee is a type of bulletproof drink that is a product concept derived from the “ketogenesis” health management regime, a metabolic state where the body elects to burn fat in the absence of carbohydrates. *MODONG* coffee was developed from the original bulletproof coffee recipe and primarily made of freeze-dried coffee, virgin coconut oil, grass-fed butter and medium-chain triglyceride (MCT) oil. *MODONG* coffee is our first low-carb health management product and is a weight management beverage specially designed for *MODONG* low-carb diet plan.

We collaborated with our main supplier, Hengmei Group, for the development of *MODONG* coffee. For more details, please refer to the paragraph headed “Suppliers – Selection and management of supplier – Our relationship with Hengmei Group” in this section below. Compared with other bulletproof coffee products, we improved the recipe by including high-quality raw materials and developed our proprietary formula aiming to attract the mass population. Our *MODONG* coffee is one of the few bulletproof coffees that contain white kidney beans, which can block starch decomposition and reduce glucose absorption and fat accumulation. In terms of nutritional ingredients, our *MODONG* coffee also contains dietary fiber in order to improve satiety, promote intestinal peristalsis and facilitate defecation. Each box of *MODONG* coffee contains seven packages.

We engaged Kunshan Huaxing, a qualified Independent Third Party, for the operation of a mobile App “*MODONG* Health (魔胴健康)” to help monitoring the progress of our end consumers’ low-carb diet plan. Our *MODONG* Health App offers users a *MODONG* low-carb diet plan to substitute nutrition and energy intake of carbohydrate such as rice, flour or sugar with fat by drinking *MODONG* coffee as the main nutritional supplement. Our goal is to offer our end consumers a reasonable weight management recipe with which they can “Relax and Enjoy Meat As You Desire (大口吃肉、輕鬆享受)”, in order to differentiate *MODONG* coffee from other competing products in the market.

To further enhance the effectiveness of *MODONG* low-carb diet plan, we also developed a variety of other products, such as strawberry multivitamin effervescent tablets to complement *MODONG* coffee. Other ancillary products that we offer include body fat management scale, portable coffee cup and tape measures, with which our end consumers can monitor their weight, witness their progress and have better experience when taking the *MODONG* low-carb diet.

Molitone prebiotic gummy (魔力通益生元軟糖)

We launched *Molitone* prebiotic gummy in January 2020. *Molitone* prebiotic gummy is a sugar-free nutritional supplement with mild prebiotics. Its main ingredients are fructo-oligosaccharide (“**FOS**”) and galacto-oligosaccharide. FOS is a type of dietary fiber that can help maintain normal intestinal function. As ketogenic and low-carb diet requires fibers, and most of the fibers are prebiotics, *Molitone* prebiotic gummy can assist such dietary pattern.

MODONG herb beverage (魔胴本草飲)

In October 2021 we launched the *MODONG* herb beverage, which is packaged as a concentrated drink aimed to maintain normal bowel function, and developed based on Chinese edible medicinal herbs and plant enzymes. The ingredients of *MODONG* herb beverage include extracted nutrients, such as plant enzymes in hawthorn (山楂), licorice (甘草), tangerine peel (陳皮), mangosteen (羅漢果) and cassia seeds (決明子).

MODONG probiotics lyophilized powder (魔胴益生菌凍乾粉)

In October 2021, we launched the *MODONG* probiotics lyophilized powder, which is a powdered drink aimed to aid people who adhere to a low-carb diet, and the *MODONG* probiotics lyophilized powder shall increase their intake of probiotics. Probiotics are live bacteria which normally stabilize the bacterial balance in the gastrointestinal tract and thereby improving gastrointestinal health.

MODONG MCT coffee (魔胴MCT咖啡)

We launched the *MODONG* MCT coffee in December 2021, which contains primarily medium-chain triglyceride (MCT) and is low Glycaemic Index (low-GI) in content. MCT is a healthy source of fat which supplies energy and produces ketone bodies quickly to increase thermal effect after meal intake. In addition, as it contains dietary fiber, it increases one’s satiety.

Dr. INYOU collagen peptide beverage (盈養博士膠原蛋白肽飲品)

Dr. INYOU collagen peptide beverage is a beverage we launched under *Dr. INYOU* in December 2021, which contains 6,000 mg of collagen peptide. Collagen is an essential nutrient for skin.

Matcha powder (抹茶粉)

Our Matcha powder is under our product line named *Ai Chi Xian Mo Ren* (愛吃鮮摩人), which features healthy and additive-free food products. Matcha is loaded with catechins that act as natural antioxidants. Antioxidants help preventing cell damage and potentially reducing heart disease risk. In addition, several of the components in matcha, such as caffeine and L-theanine, could enhance brain function, citing faster reaction times and increased attention, while helping to induce relaxation and decrease stress levels. Matcha also increases metabolism and fat burning, both of which aid weight loss.

MODONG Light Brewed Coffee (魔胴輕萃咖啡)

MODONG Light Brewed Coffee is a black coffee powder drink which contains primarily medium-chain triglyceride (MCT) and is low Glycaemic Index (low-GI) in content. The product is designed for fitness population to help maintain carb intake.

Based on the abovementioned effects of each of the aforementioned products, our Directors are of the view that these products are differentiated from traditional beverages and food products.

Skincare products

We offer skincare products under our *LA DEW* core brand line and other sub-brands namely, *Dr.mg* (摩肌博士) and *Chaxiaojie* (茶小姐), which allows us to offer a broader range of products and address different needs of our end consumers in the skincare market.

Revenue generated from the sales of skincare products was RMB3.5 million, RMB20.4 million, RMB21.3 million and RMB16.3 million in 2019, 2020, 2021 and 2022, respectively. Sales of skincare products increased in 2020 and 2021 as we devoted more resources to skincare products after the launch of *MODONG* coffee, and we expect to continue to develop the sales of skincare products going forward.

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The table below illustrates the main skincare products or sub-brands that we sold during the Track Record Period and up to the Latest Practicable Date:

| Products/Sub-brand | Launch Time | Image |
|--|--------------|--|
| <i>LA DEW</i> Facial Mask (<i>LA DEW</i> 煥顏美雕面膜) | June 2018 |  |
| <i>Dr.mg</i> (摩肌博士) | January 2021 |  |
| <i>Chaxiaojie</i> (茶小姐) | April 2021 |  |

LA DEW Facial Mask (LA DEW 煥顏美雕面膜)

When we launched the sales of skincare products, all of our products were marketed under the *LA DEW* brand. We sold our peel-off facial masks under the brand of *LA DEW* in a seven or 28-piece package, which contains components such as bioplasma and aquaxyl.

Dr.mg (摩肌博士)

Catering to the increasing demands for refined, diversified and efficient skincare products, we launched a series of skincare products under *Dr.mg* sub-brand in January 2021 that target the aging population. A key ingredient of certain skincare products under our *Dr.mg* sub-brand is recombinant human collagen, a type of protein shown by scientific research paper to have the function of promoting collagen production in skin and accelerating skin damage healing. Products under *Dr.mg* sub-brand include lotions, facial masks and cleansing solutions. Such products are designed to address various skin problems caused by skin aging.

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Chaxiaojie (茶小姐)

We launched a series of products under the *Chaxiaojie* sub-brand in April 2021, a skincare brand targeting younger generation. Skincare products under this sub-brand include facial masks, facial cream, facial spray and toiletry products.

Pipeline products

As at the Latest Practicable Date, we had over 30 products in the pipeline which are under planning, research and development, and/or testing which are expected to be officially launched during the year ending December 31, 2023. Our pipeline products mainly include food and beverage for low-carb diet, dietary supplements and skincare products. The following table sets forth information in relation to our major pipeline products which were expected to be launched in 2023 as of the Latest Practicable Date:

| Products | Product Category | Description |
|--|-------------------------|---|
| Red Ginseng drink | Dietary supplements | A dietary supplement containing ginsenoside (人參皂昔) |
| Matcha series products (抹茶系列食品) | Healthy diet | A series of products made with Matcha powder, including cakes and protein bar |
| Konjac foods (魔芋食品) | Low-carb diet | Foods made of Konjac which are low in carbohydrate |
| Natural cereal and vegetable powder (天然穀蔬粉) | Wholefood | Convenient dietary supports containing various serving of vegetables and cereal |
| Plant based protein powder (純植物蛋白粉) | Dietary supplements | Protein powder made with plant protein to support protein consumption and suitable for vegans |
| Nut bar (堅果棒) | Dietary supplements | Snack bars containing nuts with vitamins, minerals and omega-3 |

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Our plan for product development and the expected time of launch are subject to and maybe affected by various factors including our resources, market demand, progress of development, feedback from our pre-launch sale, terms of cooperation with suppliers and the overall strategic planning of our new retail business. We may adjust the schedule for product development and release based on the circumstances.

For details on our research and development function, please refer to the paragraph headed “Product research and development” in this section below.

IP creation and operation

Our IP creation and operation segment primarily comprises:

- (i) IP content creation and management business, including provision of (a) media content creation; (b) event planning; and (c) celebrity IP management services; and
- (ii) IP licensing and sales of related products.

Revenues from our IP creation and operation business was RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million in 2019, 2020, 2021 and 2022, respectively.

Our IP creation and operation capabilities empower our new retail business by creating a promotional effect, and are vital to the successful monetization of our IP assets. We have established long-term strategic relationship with Mr. Jay Chou through JVR Music, Mr. Jay Chou’s artiste management company. We jointly developed and own *ChouMate* trademarks, including the nijigen-style personality of Mr. Jay Chou, with JVR Music. For details, please refer to the section headed “Cooperation with celebrities – Cooperation relationship with Mr. Jay Chou” in this prospectus.

We have an experienced in-house program and event planning team with strong IP media production capability. As of December 31, 2022, we had 37 employees in the IP content creation department. Our IP creation and operation team is led by a management team with extensive relevant industrial expertise. The head of our event planning team and our chief program officer, Mr. Chang, Chih-Peng, was a producer of reality shows. The head of our IP Licensing department, Ms. Zhou, Peimin, has more than 10 years’ experience in IP licensing and e-commerce. For details, please refer to the section headed “Directors and senior management – Senior management” in this prospectus. Our Group is responsible for the (i) planning and creation of the related programs and events; (ii) formulation of concepts of and design celebrity IPs that appeal to the target audience; and (iii) engagement of different external companies and units for the creation of each IP.

IP content creation and management

Our IP content creation and management business include there sub-segments, including, the provision of (a) media content creation; (b) event planning; and (c) celebrity IP management

services. Revenue generated from our IP content creation and management business was RMB4.8 million, RMB86.6 million, RMB54.4 million and RMB95.0 million in 2019, 2020, 2021 and 2022, respectively.

Media content creation

In general, we enter into program cooperation agreements with our business partners, such as TV broadcasting companies. Subject to the content of program cooperation agreement, we mainly provide organizing, planning and other project management services to the production of TV programs and media contents for e-platforms. In terms of organizing and planning, we are generally responsible for inviting celebrity guests to appear on the relevant shows, creation of contents of the TV programs, and filming, creation and promotion of shows. Depending on scope of services that we are required to deliver in the relevant cooperation agreements, we would carry out certain services by ourselves, such as inviting celebrity guests, or outsource others, such as filming and production of the required content, to our sub-contractors.

(i) *J-Style Trip*

We are the lead creator of *J-Style Trip* and commenced the planning of filming of *J-Style Trip* season one in 2017. We registered the copyright of *J-Style Trip* in the PRC in March 2018 and also registered *J-Style Trip* as a trademark since January 2019.

In March 2020, we entered into a program cooperation agreement with Zhejiang Radio and TV Group (浙江廣播電視集團, “**Zhejiang RTG**”) and Beijing Master to co-invest in production of a three-season reality show, *J-Style Trip*. Beijing Master holds 30% of equity interest in Beijing Star Plus Master and Beijing Master is the holder of the license for the TV program production and operation (廣播電視節目製作經營許可證). *J-Style Trip* is a new type of outdoor life and culture reality show, which is starred by Mr. Jay Chou and his friends as regular guests. In *J-Style Trip* season one, Mr. Jay Chou traveled to various cities around the world with his friends and brought travelog and performances to the audience. Each episode featured a special guest including famous artists, singers and pianist. This is the first outdoor reality show fully participated by Mr. Jay Chou, which included diversified highlights in the daily life of Mr. Jay Chou and his friends, and conveyed positive message with songs, catch phrases and performance.

Pursuant to the agreement, Zhejiang RTG is responsible for filing application to the relevant regulatory authorities to obtain approval or complete the registration of *J-Style Trip*. We are responsible for the promotion of *J-Style Trip* and assisting and coordinating with Beijing Master to complete the production of the program, while Beijing Master is responsible for the implementation of *J-Style Trip*'s production. In addition, Zhejiang RTG and us are the co-owner of the copyrights and other related intellectual property rights. We are the sole owner of the *J-Style Trip* trademark and we grant Zhejiang RTG the right to use it for nil consideration during the production and promotion of the show.

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During the cooperation period, we are responsible for planning matters related to the development, shooting, production and promotion of *J-Style Trip* and shall bear all the relevant expenses (save for promotion fees for Zhejiang RTG's satellite channels and its related ground surface channels, as well as those initiated by Zhejiang RTG).

Pursuant to the agreement, we are entitled to a certain percentage of the program's total TV advertisement income for each season, which include the sales revenue from product placement advertisements such as title broadcast, special broadcast and sponsored broadcast (and initial-broadcast spot traditional advertisements), as well as income from advertisements during the first re-broadcast of the program, after setting off, amongst others, the operating costs of Zhejiang RTG. The fees paid or payable by Zhejiang RTG shall be paid to Beijing Master and we shall split such amount with Beijing Master, which was engaged by Zhejiang RTG for the provision of production services.

J-Style Trip season one was aired on Zhejiang Satellite TV, as well as Netflix and MGTV (芒果TV) in March 2020. *J-Style Trip* season one was well-received by TV audience. The average viewership rating of all 12 episodes ranked first among all TV programs broadcasted during the same timeslot, according to the publicly available rating data.

We also entered into a license agreement with Netflix Worldwide Entertainment, LLC pursuant to which we granted Netflix the right and license to copy, reproduce, transmit, exhibit, distribute, sublicense and communicate to the public *J-Style Trip* season one for 10 years globally (excluding China) at a fixed fee.

Our *MODONG* coffee was presented in all episodes by means of advertisement, spot cut and discrete product placement. We believe that *J-Style Trip* season one increased exposure and enhanced the brand recognition of our products promoted in connection with the show.

As of the Latest Practicable Date, *J-Style Trip* season two was under production.

(ii) Others

In 2021, we also planned and produced a popular music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之), that was centered around Mr. Harlem Yu, and a variety show that was centered around Mr. Liu Keng-hung. Our Group was also involved in the planning and creation of part of the performance in music shows and variety shows, that were either aired on TV or streamed on e-platforms. Such shows featured the performance of Mr. Jay Chou as well as many other celebrities who are popular in the Chinese-speaking communities.

We plan to (i) cooperate with well-known platforms in the market in the future to exert our production strengths; (ii) produce more reality shows going forward; and (iii) create and monetize new social e-commerce retail IP, including celebrity IP, content IP and commodity IP.

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Event planning

Similar to our media content production operations, we enter into cooperation/service agreements with our business partners for our event planning operations. We generally act as a planning service provider, an investor and/or a sub-contractor for large scale music concerts and other events, which we generate revenue mainly from service fees. Our scope of services and responsibilities for event planning varies, depending on our role in the relevant project and the content of the relevant agreement. When acting as the planning service provider, we are in charge of the overall planning, investment and execution of the event, including performer procurement, stage design, lighting and sound design, live execution, director programming and costume and makeup design. We generally enter into service agreements with sub-contractors to outsource certain execution works of the event, such as stage design, lighting and sound design, director programming etc. When acting as an investor, we provide fund commitment and will receive revenue from the ticket sales in return.

During the Track Record Period, we provided concert planning services to Zhanjiang Superstar Concert in August 2019 and provided concert planning services to and invested approximately RMB4.4 million in Ningbo Superstar Performance Mega Night in January 2020, at which we promoted our products through a combination of activities, including printed advertisement at concert venue, product exhibition and gift giving, without incurring any significant marketing expenses. Our provision of concert planning services at these concerts did not involve any bidding process.

We have established our general policy in respect of investments in concerts and events, pursuant to which, our investments shall only be made (i) with the authorization and approval from the chairperson of our Board; (ii) after taking into consideration the background and portfolio of other investment partners; and (iii) when we have sufficient capital resources as well as resources to appropriate celebrity.

Celebrity IP management

We have been expanding our IP creation and operation business by providing celebrity IP management services, where we would be responsible for the development of IP through collaboration with celebrities and KOLs. Leveraging on our experience in media content production and celebrity IP creation, we are involved in the planning and development of the public persona of celebrities and KOLs in, among others, Livestreaming sessions, online short videos and other online and offline performances on social media platforms, in order to attract audiences and/or followers with similar interests or concerns. We mainly generate our revenue from (i) sponsorship or promotion fees from brand owners or the MNC Company (depending on which party entered into the cooperation agreement with the relevant brand owners) for promotion of goods and services during Livestreaming sessions of celebrities whom we cooperate with; and (ii) sharing of commission from sale of products of third party brand owners by different celebrities and KOLs during the E-commerce Livestreaming sessions conducted on our *Douyin* account.

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We firstly tapped into the celebrity IP management business in late 2021 when we were involved in the development of Mr. Liu Keng-hung into a KOL in the fitness and body-building sector in the PRC. We entered into cooperation agreements with Mr. Liu Keng-hung and his artiste company, pursuant to which we shall provide planning and management services in respect of the entertainment and performance business of Mr. Liu Keng-hung in the PRC and we would be entitled to certain percentage of income generated therefrom. For details, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business” in this prospectus.

The use of Livestreaming and E-commerce Livestreaming in our business

In recent years, Livestreaming has become one of the increasingly popular means to deliver information to and/or attract public audiences for entertainment, education and marketing purposes. In view of its growing popularity, we also make use of Livestreaming, as well as E-commerce Livestreaming, in our business operation.

(i) Livestreaming

During the Track Record Period, we mainly provide celebrity IP management services in relation to the Livestreaming sessions of Mr. Liu Keng-hung, where we were involved in originating and preparing the contents and presentation of the Livestreaming sessions. Brand owners may engage us to promote their products during the Livestreaming sessions of Mr. Liu Keng-hung by, for example, placement of products during such Livestreaming sessions. We, in turn, generate revenue from the sponsorship or promotion fees from the brand owners.

(ii) E-commerce Livestreaming

In addition, we created a *Douyin* account under the name of “劉畊宏肥油咔咔掉” where we cooperate with different celebrities and KOLs to conduct E-commerce Livestreaming sessions and promotion of the sale of products of other third party brand owners. In this regard, we mainly generate revenue from the commission for the sale of products of third party brand owners during the E-commerce Livestreaming sessions. On the other hand, we would pay commissions to celebrities or KOLs who cooperate with us.

We also utilize Livestreaming and/or E-commerce Livestreaming sessions, online short videos and other online and offline performances of the celebrities and KOLs to empower the sales of our products under our new retail business. For details of the sale of our *Douyin* stores, please refer to the paragraph headed “Distribution network – Distribution through other e-commerce channels – Other e-commerce channels” in this section.

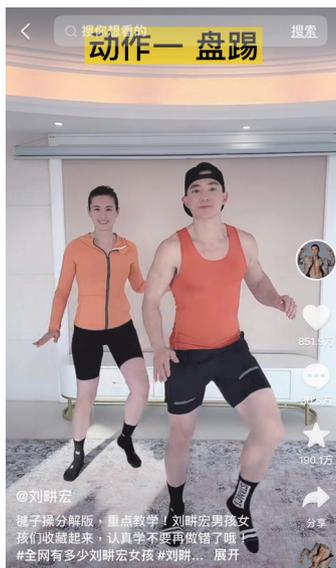
We leverage on the popularity of Mr. Liu Keng-hung and Ms. Vivi Wang to empower the sale of our products. For example, the name of our *Douyin* account “劉畊宏肥油咔咔掉” was originated from a popular slogan that is featured in Mr. Liu Keng-hung’s Livestreaming session. Nevertheless, it is our strategy that Mr. Liu Keng-hung would not participate in any E-commerce Livestreaming as we consider that it would create the best value for him to devote his time in

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developing his popularity through Livestreaming, brand endorsement and participation in other IP programs. As advised by our PRC Legal Advisors, based on the confirmation of our Company and according to the public information search, no search results showed that, as of the Latest Practicable Date, Mr. Liu Keng-hung and Ms. Vivi Wang are subject to any restrictions imposed by the competent governmental authorities under the relevant laws and regulations in the PRC to conduct either Livestreaming or E-commerce Livestreaming. As part of our celebrity IP management, we would advise on the activities that would create the best value for the celebrities we cooperate with, including whether or not to participate in E-commerce Livestreaming.

Even though Mr. Liu Keng-hung does not participate in E-commerce Livestreaming sessions of our products, we rely on his popularity to attract potential audiences and customers to our *Douyin* account through, amongst others, (i) promotion of concepts relating to healthy eating and lifestyle in Mr. Liu Keng-hung's videos and Livestreaming sessions; (ii) posting videos of Mr. Liu Keng-hung's previous Livestreaming sessions; and (iii) arranging Ms. Vivi Wang and other KOLs who had appeared in Mr. Liu Keng-hung's videos and Livestreaming sessions to participate in E-commerce Livestreaming on our *Douyin* account from time to time.

The following screen shots illustrate the Livestreaming sessions conducted on Mr. Liu Keng-hung's *Douyin* account and E-commerce Livestreaming sessions conduct on our *Douyin* account:



Livestreaming on Mr. Liu Keng-hung's Douyin account



E-commerce Livestreaming on our Douyin account with a link to our Douyin store

IP licensing and sales of related products

We actively explore strategic collaboration opportunities with selected celebrities and create and register bespoke and unique celebrity IPs. We may license our celebrity IPs to our customers and receive licensing fees and create and sell products related to the celebrity IPs. For 2019, 2020, 2021 and 2022, our revenue generated from IP licensing and sale of related products was RMB1.0 million, RMB5.2 million, RMB9.6 million and RMB9.0 million, respectively.

In general, we develop and create celebrity IP on our own or in collaboration with our business partner(s). In the event that we develop and create celebrity IP with our business partner(s), we will enter into an agreement with such business partner(s) to set out the respective rights and obligations of each party, including but not limited to ownership of the celebrity IPs and the trademark registration jurisdiction of such celebrity IPs. Depending on the terms of the agreement, we may either be responsible for creating the design of the celebrity on our own or co-create with our business partner(s). After considering various factors, such as general public reception of the celebrity, influence of such celebrity, target audience of such celebrity IP, we will formulate the basic ideas for such celebrity IP. These basic ideas shall include themes, facial expressions, and poses of such celebrity IP. After finalization of basic ideas of celebrity IP, we may subcontract the design of such celebrity IP. We will arrange trademark registration of such celebrity IP after the design is made. The ownership of the design of such celebrity IP belongs to us and/or our business partner(s) (where applicable). We will use such celebrity IP for empowerment of our products to creating a promotional effect, and/or license such celebrity IP trademark to our business partner(s).

During the Track Record Period, we created and licensed our celebrity IPs on nijigen personification. The following summarize the major celebrity IP that was created by us:

ChouMate (周同學)

ChouMate is our proprietary IP and comprises a series of trademarks associated with Mr. Jay Chou, including a nijigen personification of Mr. Jay Chou and readily identifiable with Mr. Jay Chou himself that are currently registered in the mainland China. Such trademarks (together with the copyright subsisting in the designs of such trademarks) are jointly owned by us and JVR Music, Mr. Jay Chou's artiste management company. For details of our cooperation with JVR Music on *ChouMate*, please refer to the section headed "Cooperation with celebrities – Cooperation relationship with Mr. Jay Chou – Cooperation agreements with JVR Music on *ChouMate*" in this prospectus.

The cost incurred in developing the *ChouMate* trademarks were approximately RMB111,000, RMB2,198,000, RMB702,000 and RMB260,000 for each of the four years ended December 31, 2022, respectively, which mainly comprised fees incurred in relation to the design and registration of such IPs. On June 1, 2020, an official account for Mr. Jay Chou labeled *ChouMate* was set up on *Kuaishou*. The account had over 51 million followers as of the Latest Practicable Date.

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We generate profits from licensing of the *ChouMate* trademarks to parties not controlled by JVR Music or us (the “**non-connected parties**”), and such revenue shall be shared with JVR Music. Neither JVR Music nor us is required to pay any fee to each other when the *ChouMate* trademarks are used by either party or its connected parties for their respective business operations.

We licensed the *ChouMate* trademarks to non-connected parties including Shanghai Pudong Development Bank and Pop Mart, as well as a leading music streaming service provider in the PRC, and developed derivative products of *ChouMate*. The revenue contributed to us through the licensing of the *ChouMate* trademarks to non-connected parties were approximately RMB141,000, RMB1.9 million, RMB2.8 million and RMB5.9 million for each of the four years ended December 31, 2022, respectively.

Non-Mr. Jay Chou-related nijigen-style personalities

Apart from *ChouMate*, we have been continuously exploring feasibility of designing and creating nijigen-style personality for other celebrities as well. We entered into the Liu-related Nijigen-style Personality(ies) Cooperation Agreement regarding creation and design of nijigen-style personalities inspired by them. We also entered into cooperation agreements with Mr. Fang and his artiste management company regarding (i) the creation and design of nijigen-style personalities inspired by him; and (ii) the licensing of his existing nijigen-style personality. As at the Latest Practicable Date, we entered into cooperation agreements with certain Taiwan artists, namely, Chang Chieh (張傑), Lara Liang Xin-Yi (梁心頤) and Chan Yu-Hao (詹宇豪) for, among other things, the design and creation of nijigen style personalities related to them. We will apply the same business model that we use on *ChouMate* with other celebrity-inspired nijigen-style personality(ies).

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Historical IPs and IPs pipeline

The following table sets out all the events and IP programs that we have launched during the Track Record Period and their corresponding revenue and gross profit:

| | Year ended December 31, | | | | | | | | | | | | | | | |
|---|-------------------------|--------------|--------------|---------|---------|--------------|--------------|---------|---------|--------------|--------------|---------|---------|--------------|--------------|------|
| | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | |
| | Revenue | Gross profit | Gross profit | | Revenue | Gross profit | Gross profit | | Revenue | Gross profit | Gross profit | | Revenue | Gross profit | Gross profit | |
| RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | |
| IP content creation and management | | | | | | | | | | | | | | | | |
| a. Zhanjiang Superstar Concert (湛江超級巨星演唱會) | 4,001 | 69.1 | 538 | 13.4 | - | - | - | - | - | - | - | - | - | - | - | - |
| b. Ningbo Superstar Performance Mega Night (寧波巨星行動超級夜) | - | - | - | - | 4,505 | 4.9 | 76 | 1.7 | - | - | - | - | - | - | - | - |
| c. J-Style Trip season one | - | - | - | - | 81,590 | 88.9 | (24,557) | (30.1) | - | - | - | - | - | - | - | - |
| d. You Can Run But You Can't Hide (跑來之別業之) | - | - | - | - | - | - | - | - | 18,868 | 29.5 | 5,262 | 27.9 | - | - | - | - |
| e. A music award ceremony broadcasted on a music streaming platform in the PRC ⁽¹⁾ | - | - | - | - | - | - | - | - | 9,974 | 15.6 | 2,873 | 28.8 | - | - | - | - |
| f. A variety show that was centered around Mr. Liu Keng-hung ⁽²⁾ | - | - | - | - | - | - | - | - | 8,491 | 13.3 | 3,098 | 36.5 | 5,660 | 5.4 | 2,663 | 47.0 |
| g. A music show broadcasted on a music streaming platform in the PRC ⁽¹⁾ | - | - | - | - | - | - | - | - | 6,667 | 10.4 | 3,096 | 46.4 | - | - | - | - |
| h. A music TV program ⁽¹⁾ | - | - | - | - | - | - | - | - | 6,340 | 9.9 | 1,811 | 28.6 | - | - | - | - |
| i. A promotional short video about a multiplayer online battle arena video game ⁽³⁾ | - | - | - | - | - | - | - | - | 1,887 | 3.0 | 789 | 41.8 | - | - | - | - |
| j. An online music show (周杰倫線上歌友會) and a promotional video about J-Style Trip season two and new music album on a Livestreaming platform in the PRC | - | - | - | - | - | - | - | - | - | - | - | - | 23,894 | 23.0 | 16,385 | 68.6 |
| k. 6/18 Livestreaming session ⁽⁴⁾ | - | - | - | - | - | - | - | - | - | - | - | - | 7,890 | 7.6 | 4,824 | 61.1 |
| l. A World-cup related variety show (周遊記2世界杯番外篇) ⁽³⁾ | - | - | - | - | - | - | - | - | - | - | - | - | 3,962 | 3.8 | 3,461 | 87.4 |

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Year ended December 31,

| | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | |
|--|--------------|--------------|---------------------|-------------|---------------|--------------|---------------------|---------------|---------------|--------------|---------------------|-------------|----------------|--------------|---------------------|-------------|
| | Revenue | | Gross profit margin | | Revenue | | Gross profit margin | | Revenue | | Gross profit margin | | Revenue | | Gross profit margin | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| m. A World-cup related online music show (動感世界杯音樂盛典) ⁽¹⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| n. Livestreaming sessions, online short videos and other performance(s) that were centered around Mr. Liu Keng-hung and his related IP(s) ⁽⁵⁾ | 760 | 13.1 | 752 | 99.0 | 472 | 0.5 | 470 | 99.6 | 2,172 | 3.4 | 1,293 | 59.5 | 41,708 | 40.1 | 31,545 | 75.6 |
| o. Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sub-total | 4,761 | 82.3 | 1,290 | 27.1 | 86,567 | 94.3 | (24,011) | (27.7) | 54,399 | 85.1 | 18,222 | 33.5 | 95,026 | 91.3 | 65,497 | 68.9 |
| IP licensing and sales of related products | 1,027 | 17.7 | 187 | 18.2 | 5,202 | 5.7 | 2,312 | 44.4 | 9,551 | 14.9 | 3,690 | 38.6 | 9,032 | 8.7 | 6,585 | 72.9 |
| TOTAL | 5,788 | 100.0 | 1,477 | 25.5 | 91,769 | 100.0 | (21,699) | (23.6) | 63,950 | 100.0 | 21,912 | 34.3 | 104,058 | 100.0 | 72,082 | 69.3 |

m. A World-cup related online music show (動感世界杯音樂盛典)⁽¹⁾
n. Livestreaming sessions, online short videos and other performance(s) that were centered around Mr. Liu Keng-hung and his related IP(s)⁽⁵⁾
o. Others

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Notes:

1. We were responsible for creating Mr. Jay Chou-related content for such programs, which featured many other celebrities as guests.
2. We were involved in the planning of such program. Such program, which was aired on one of the leading online video platform in the PRC was centered around Mr. Liu Keng-hung who was the host thereof.
3. We were involved in the planning of such programs, which were hosted by Mr. Jay Chou.
4. We were engaged by the online platform which produced and broadcasted the relevant program for planning and preparing Mr. Liu Keng-hung-related contents of such Livestreaming session. Such Livestreaming session was streamed on Mr. Liu Keng-hung's *Douyin* account. Our revenue represented the service fees paid by the online platform after excluding the portion entitled by Mr. Liu Keng-hung and W&V.
5. Celebrity IP management business that centered around Mr. Liu Keng-hung. Pursuant to the relevant agreements between Mr. Liu Keng-hung and us, we are entitled to a portion of such income from the brand owners or the MCN Company as our revenue. For details, please refer to the section headed "Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business" in this prospectus.

As demonstrated in the table above, our Group was diversifying types and sources of our IP during the Track Record Period by cooperating with other celebrities, including Mr. Liu Keng-hung and Mr. Harlem Yu.

Major events and IP programs in the pipeline

Set out below are the major events and IP programs in the pipeline and their respective expected revenue contribution to our Group's IP creation and operation segment:

TV and/or online programs

1) *Yue Lai Yue Kuai Le* (樂來樂快樂)

Yue Lai Yue Kuai Le is a music talk show centered around Mr. Harlem Yu and is expected to be aired in the second half of 2023. Mr. Harlem Yu will be the lead host who will appear on all 12 episodes of such program, together with different guests to be invited to attend. Mr. Harlem Yu is one of the most acclaimed singers and songwriters in Chinese pop music industry, given that he won the Outstanding Singer-Songwriter in Asia from the Billboard Music Awards in 1996 and the Best Male Vocalist – Mandarin from the 13th Golden Melody Awards in 2002. Apart from music achievement, Mr. Harlem Yu was recognized for his variety show-related work.

Apart from Mr. Jay Chou, none of the guests currently invited in this program are artists managed by our Controlling Shareholders, or their respective associates (excluding our Group). As at the Latest Practicable Date, (i) such program was under production, with 10 out of 12 episodes being filmed, (ii) we were in the process of negotiation of sponsorship of such program with several brand owners, and (iii) we had entered into an agreement regarding licensing and title sponsorship of such program with a contract amount of approximately RMB42.5 million, of

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which (i) about RMB14.5 million being contributed by the licensing of such show; and (ii) about RMB28.0 million being contributed by sponsorship of such show. Given such program would be aired in the second half of 2023, the revenue derived therefrom has not been recognized during the year ended December 31, 2022.

We expect to recognize a revenue of about RMB32.7 million from such agreement (after deducting the profit share of the relevant business partners from the total contract amount) for the year ending December 31, 2023, which is estimated based on the information currently available to us and the actual amount of revenue to be recognized by our Group is subject to audit. Up to the Latest Practicable Date, we were in the process of negotiation with more potential sponsors. Thus, we expect, in addition to the above contract amount, more revenue would be recognized from such program upon its airing, which is expected to be in the second half of 2023.

Our Directors believe that the popularity of the host and guests can attract audiences to watch such program, hence promoting our products by such IPs can enable us to increase brand and product awareness when there is sponsorship or product placement on the program.

2) *J-Style Trip* season two

Such program will continue to be centered around Mr. Jay Chou and is expected to be aired in the second half of 2023. None of the guests currently invited are artists managed by our Controlling Shareholders or their respective associates (excluding our Group). As at the Latest Practicable Date, such program was under production, with 11 out of 12 episodes being filmed and it is expected that such program will be aired in the second half of 2023. In late 2022, we entered into an agreement regarding sponsorship of such program with a contract amount of RMB40.0 million. As at the Latest Practicable Date, (i) we were in the process of negotiation of sponsorship of such program with several brand owners, and (ii) we were in the process of the licensing of such program. The expected revenue and costs with respect to *J-Style Trip* season two would be recognized in the financial statements of our Company for the year ending December 31, 2023.

Based on track record of *J-Style Trip* season one, where popularity of Mr. Jay Chou and the sponsorship of *J-Style Trip* season one was affected by the outbreak of COVID-19, it is expected that the revenue to be contributed by *J-Style Trip* season two would be of the similar level of the revenue contributed by *J-Style Trip* season one, or even slightly higher. Given (i) our experience from producing *J-Style Trip* season one, we incurred less expenses in relation to the planning for the production of *J-Style Trip* season two; (ii) fewer guests had been invited for *J-Style Trip* season two, as compared to *J-Style Trip* season one; and (iii) the production of *J-Style Trip* season two has been more cost effective as it has been filmed in fewer countries or regions than *J-Style Trip* season one, we expect the costs to be lower than that for *J-Style Trip* season one.

As advised by our PRC Legal Advisors, we are not required to obtain any governmental approval for broadcasting the above IP programs in the PRC, and the television channels and/or Internet broadcasting platforms with the license for publication of audio-visual programs (信息

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網絡傳播視聽節目許可證) that will broadcast these IP programs shall be responsible for reviewing the contents of the programs and filing with the competent radio and television administrative department before such broadcasting according to the relevant PRC laws and regulations. As a result, our Company will liaise and cooperate with the relevant television channel(s) and/or Internet broadcasting platform(s) in reviewing the content of the relevant IP program(s) so to facilitate the relevant television channel(s) and/or Internet broadcasting platform(s) to conduct the necessary filing with the competent radio and television administrative department before broadcasting the relevant IP program(s).

Performance events

We were involved in the planning of a fitness-related performance event featuring Mr. Liu Keng-hung, Ms. Vivi Wang, together with other celebrities held in Qingdao on May 20, 2023. As at the Latest Practicable Date, our Group was seeking appropriate venue to hold similar performance events in other cities in the PRC, and we expect such performance events will be held in various cities in the PRC, including Haikou, Beijing and Sanya in 2023. Such performance events would be subject to confirmation of an appropriate venue(s) and, as advised by our PRC Legal Advisors, approval from the competent department of culture and tourism. We expect to use such performance events to promote our products and/or IPs.

Cooperation with celebrities is important to our business growth

During the Track Record Period, we heavily relied on Mr. Jay Chou on both our new retail business and IP creation and operation business. Nevertheless, our Directors are of the view that the sustainability, profitability and success of our Group's business are attributable to our capability in our different business components instead of solely relying on Mr. Jay Chou and such reliance would not materially affect our business. Please refer to the section headed "Cooperation with celebrities" of this prospectus for further details of our relationship and cooperation with Mr. Jay Chou and assessment of his significance to our business sustainability.

Based on our track record of the sales of our Group, we are confident that any other celebrities-related promotional activity(ies) conducted by us can bring positive promotional effect to the sales of product(s), where the sales thereof could be boosted to a certain extent.

In the future, we plan to continue explore the possibility of collaborating with other celebrities by the same or different means as mentioned above in order to leverage on the popularity thereof and promote our products.

RECENT DEVELOPMENTS ON OUR REGULATORY ENVIRONMENT IN RELATION TO CELEBRITIES AND LIVESTREAMING IN THE PRC

The PRC government authorities have taken initiatives to heighten regulation on the PRC entertainment industry and online Livestreaming activities. For example, Strengthening Regulations was promulgated recently, which aims to strengthen the regulation on the contents of culture programs and related individuals, and prohibits certain individuals' violation of law

and offense on morality in order to reap ill-gained profit in their fans communities, a practice that can be loosely referred to as “Fan Trap” (“飯圈”); and the Online Livestreaming Marketing Measures was adopted to regulate Livestreaming room operators and Livestreaming marketers, which includes our Group and those we engage to promote our products through Livestreaming marketing. For details, please refer to the sections headed “Regulatory overview – PRC laws and regulations – Regulations in relation to strengthening the regulation of entertainment industry” and “Regulatory overview – PRC laws and regulations – Regulations in relation to online Livestreaming marketing” in this prospectus.

Impact on our business operations

As advised by our PRC Legal Advisors, the recent tightening of and changes in the PRC regulatory environment to further regulate the Livestreaming and influencers are mainly related to, amongst others, (i) publication of illegal and harmful information; (ii) publication of false or misleading information to deceive or mislead audiences; (iii) marketing of counterfeit or substandard goods or goods that infringe intellectual property rights or goods which failed to meet the requirements for personal and property safety; (iv) fabricating or tampering transaction data, viewership and other similar data; (v) promotion or attracting traffic for others despite knowing or being in situations where they ought to know that the promoted individual engages or has engaged in illegal or high-risk behaviors; (vi) contents involving harassment, slander, insultation or threatening of any person(s) or infringement of the legitimate rights and interests of others; (vii) engaging in pyramid marketing, fraud, gambling or selling contrabands or controlled goods etc; and (viii) violation of state laws, regulations and relevant provisions.

To the best of our Directors’ knowledge and belief, brand owners were not involved in any of the previously reported cases related to Livestreaming and influencers. Based on the cases reported, fines were imposed on third-party KOLs who promotes products, instead of the companies which produce, and/or own the brand of, the product. As advised by our PRC Legal Advisors, this regulatory tightening does not adversely affect our business operations because (i) we did not engage in any activities prohibited by the Strengthening Regulations; and (ii) we complied with the laws stated in the Guiding Opinions on Online Livestreaming Marketing, such as Product Quality Law, the Food Safety Law, in all material aspects during the Track Record Period and as at the Latest Practicable Date, which are the responsibilities of product business operators (such as our Group) set out in the Guiding Opinions on Online Livestreaming Marketing. On the other hand, as a Livestreaming room operator, for example, in respect of the *Douyin* account managed or registered by us, we have full control over the content disseminated through our proprietary accounts and we have established guidelines to ensure livestreamers who appear on our accounts will not be transmitting messages in violation of the Online Livestreaming Marketing Measures.

In addition, none of the celebrities or KOLs were investigated or being fined by the relevant authorities when they were promoting our Group’s products on social media platforms during the Track Record Period. Based on the above, including the advice given by our PRC Legal Advisors, our Directors believe, and the Sole Sponsor concurs, that our Livestreaming and E-commerce Livestreaming will not be affected by the implementation of such regulations. As

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advised by our PRC Legal Advisors, we are in compliance of all relevant laws and regulations in all material aspects, and adequate measures are in place to cope with such changes in the regulatory environment of the PRC entertainment industry. Hence, we believe, and the Sole Sponsor concurs, that such changes are not expected to have a material adverse impact on our business operations, financial performance and use of proceeds.

Nevertheless, laws and regulations concerning Livestreaming and influences in the PRC are relative new and evolving, and their interpretation and enforcement involve significant uncertainties. Please refer to the section headed “Risk factors – If the contents contained in videos, live broadcasting and other content formats published by us or celebrities or KOLs that we collaborate with are deemed to violate any PRC laws or regulations or are considered inappropriate, or there is any changes in the applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected” in this prospectus.

In addition, we do not engage in the illegal activities targeted by the Strengthening Regulations in our operations. The Strengthening Regulations target the “Fan Trap” practices that typically disseminate vulgar and immoral media contents in an indiscriminating manner for the sole purpose of attracting online traffic and exposure. We primarily focus on new retail business which contributes the majority of our revenue. Our IP events and programs are properly planned by cooperating with selected celebrities whom we consider have complied with the relevant laws and regulations after due assessment with an aim to create a positive brand image of our Group and to convey positive messages. Given the above, our PRC Legal Advisors are of the view that, during the Track Record Period and up to the Latest Practicable Date, we did not engage in any activities prohibited by the Strengthening Regulations, and the Strengthening Regulations had no adverse impact on our business operations.

Impact on Mr. Jay Chou

Mr. Jay Chou, being a celebrity who we frequently cooperated with during the Track Record Period, has been a well-known celebrity in Chinese-speaking communities for over 20 years and has not been the subject of any significant negative publicity. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, Mr. Jay Chou did not engage in any activities prohibited by the Strengthening Regulations. Taking into account of Mr. Jay Chou’s popularity, we believe the image of Mr. Jay Chou has remained positive since his debut, and he has continued to exert positive influence on the public. Hence, as advised by our PRC Legal Advisors, Mr. Jay Chou’s visibility in the PRC shall not be adversely affected by the regulatory changes in the PRC entertainment industry.

Impact on other celebrities and KOLs whom we have been or will be cooperating with

Save as disclosed below, to our best knowledge after due and careful enquiries, other celebrities and KOLs that we have entered into preliminary or definitive cooperation agreements with (such as Mr. Fang, Mr. Harlem Yu and Mr. Liu Keng-hung) were not subject to any investigation or penalty for activities prohibited pursuant to the relevant regulations or any

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significant negative publicity. For details of our internal control measures relating to activities of the celebrities and KOLs whom we cooperate with, please refer to the paragraph headed “Risk management and internal control – IP creation and operation segment” in this section below.

Incident relating to products promoted by Mr. Liu Keng-hung and Ms. Vivi Wang prior to our cooperation with them

In September to October 2020, during their cooperation with a third-party agency company, Mr. Liu Keng-hung and Ms. Vivi Wang hosted three E-commerce Livestreaming sessions to promote the sale of certain bird’s nest products. Such products were subsequently involved in disputes relating to false and misleading trade description (the “**Incident**”). To the best knowledge of our Directors, after the Incident, the agency company has been assisting the consumers who purchased the bird’s nest products through the relevant E-commerce Livestreaming sessions to arrange for refunds.

We are of the view that the Incident did not and will not have any material adverse impacts on the reputation and publicity of Mr. Liu Keng-hung and Ms. Vivi Wang or our business operations and financial performances on the following basis:

- (a) the Incident occurred before we established any business relationship with Mr. Liu Keng-hung and Ms. Vivi Wang and is not related to any of our products, online stores or platforms;
- (b) as advised by our PRC Legal Advisors, as the Online Livestreaming Marketing Measures (which was effective on May 25, 2021) were not yet implemented at the time of the relevant E-commerce Livestreaming sessions, Mr. Liu Keng-hung and Ms. Vivi Wang should not be liable for the Incident under the then PRC laws and regulations merely by promoting the bird’s nest products during their E-commerce Livestreaming sessions without knowledge of the defects in such products. Since the effective date of the Online Livestreaming Marketing Measures and up to the Latest Practicable Date, neither Mr. Liu Keng-hung nor Ms. Vivi Wang was blacklisted or subject to investigations or fines from any online platform or government authority and there has never been any request for suspension of their social media accounts as a result of the Incident;
- (c) no similar incident has occurred since our cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang. In addition, Mr. Liu Keng-hung no longer participated in E-commerce Livestreaming since February 2022 as we consider that it would create the best value for Mr. Liu Keng-hung to devote his time in developing his popularity through Livestreaming, brand endorsement and participation in other IP programs. Please refer to the paragraph headed “Our business – IP creation and operation – IP content creation and management - Celebrity IP management – Empowerment of our new retail sales” in this section for further details; and

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- (d) the Incident did not have any material adverse impact on the publicity or reputation of Mr. Liu Keng-hung. In particular, the number of followers of Mr. Liu Keng-hung's social media accounts has remained relatively stable even after the reports of the Incident has gone public. Up to the Latest Practicable Date, the Incident did not have any material adverse effect on our cooperation with Mr. Liu Keng-hung, including but not limited to the operation of our celebrity IP management business. In addition, given that the *Douyin* account “劉畊宏肥油咔咔掉” is owned by our Group, in the event of any negative publicity of Mr. Liu Keng-hung or Ms. Vivi Wang or the suspension of their accounts on any online platforms, we can still conduct E-commerce Livestreaming sessions on other *Douyin* accounts owned by us. We may also change the name of our *Douyin* account to mitigate the effect of such negative publicity.

DISTRIBUTION NETWORK

Overview

During the Track Record Period and up to the Latest Practicable Date, we sold and distributed our products under the new retail business through:

- (i) the Distribution Agent Assisted Distribution Model, where we sold our products through a network of distributors who would further expand the consumer reach by procuring a network of sub-distributors. We would engage a Distribution Agent to assist in the development and management of the network of distributors and their sub-distributors;
- (ii) general distribution model, where we sold our products to our distributors for their onward sale to the end consumers without the engagement of a Distribution Agent; and
- (iii) other e-commerce channels, where we directly sold our products to end consumers through various online platforms such as the *Star Plus 4U* (巨星優選) App, as well as our *Tmall* stores and *Douyin* stores.

In determining the distribution model to be adopted for our products, we would take into consideration of various factors, including but not limited to, their respective market positioning, target customers and product features. We primarily distribute our *MODONG* coffee (as well as other products supporting a low-carb diet, including *Molitone* prebiotic gummy, *MODONG* herb beverage and *MODONG* probiotics lyophilized powder) through the Distribution Agent Assisted Distribution Model having considered that such products mainly target end consumers who had a pressing need for weight-management and require sufficient guidance and supports in connection with the consumption of such products as a supplement to a low-carb diet. We also distribute our skincare products under *Dr.mg* sub-brand through the Distribution Agent Assisted Distribution Model given that such products mainly target users of mature skins which may require more pre-sale supports and guidance. On the other hand, for our products that target general public

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and do not require specific knowledge or information in their use (such as our products under the *Dr. INYOU* brand), we would generally distribute through general distributorship model and/or other e-commerce channels with a view to enlarge our customer base at a lower distribution cost.

Coverage of and revenue contribution by geographic regions

The table below sets forth a breakdown of our revenue from the new retail business by geographical locations for the indicated periods:

| | Year ended December 31, | | | | | | | |
|--|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Zhejiang | 35,257 | 43.7 | 104,488 | 28.6 | 66,413 | 22.0 | 53,764 | 22.4 |
| Jiangsu | 6,007 | 7.4 | 61,791 | 16.9 | 59,385 | 19.7 | 30,367 | 12.7 |
| Hunan | 9,579 | 11.9 | 32,469 | 8.9 | 18,682 | 6.2 | 13,574 | 5.7 |
| Shanghai | 6,980 | 8.6 | 30,041 | 8.2 | 22,909 | 7.6 | 11,296 | 4.7 |
| Shandong | 5,650 | 7.0 | 22,723 | 6.2 | 26,882 | 8.9 | 19,659 | 8.2 |
| Guangdong | 6,817 | 8.5 | 19,203 | 5.3 | 15,635 | 5.2 | 13,072 | 5.3 |
| Fujian | 1,249 | 1.5 | 12,273 | 3.4 | 12,999 | 4.3 | 6,945 | 2.9 |
| Guangxi | 1,151 | 1.4 | 11,406 | 3.1 | 9,983 | 3.3 | 5,259 | 2.2 |
| Anhui | 90 | 0.1 | 10,906 | 3.0 | 9,840 | 3.3 | 9,754 | 4.1 |
| Hubei | 2,311 | 2.9 | 10,648 | 2.9 | 6,238 | 2.1 | 3,932 | 1.6 |
| Shanxi | 4,056 | 5.0 | 5,072 | 1.4 | 5,490 | 1.8 | 3,280 | 1.4 |
| Others | 1,617 | 2.0 | 41,389 | 11.3 | 37,254 | 12.4 | 28,545 | 11.9 |
| Revenue from distribution network ⁽¹⁾ | 80,764 | 100.0 | 362,409 | 99.2 | 291,710 | 96.8 | 199,447 | 83.1 |
| Revenue from other channels ⁽²⁾ | 33 | 0.0 | 2,766 | 0.8 | 9,685 | 3.2 | 40,652 | 16.9 |
| Total revenue from new retail business | 80,797 | 100.0 | 365,175 | 100.0 | 301,395 | 100.0 | 240,099 | 100.0 |

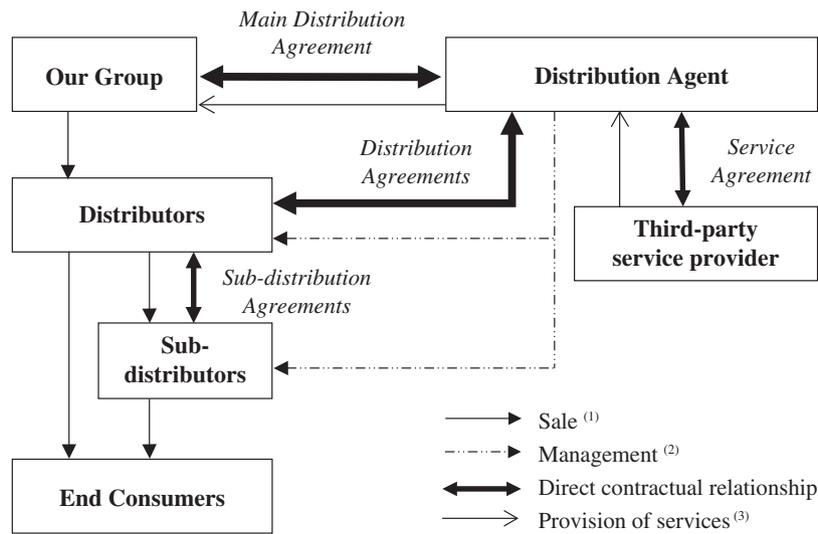
Notes:

- (1) Representing our revenue from sale under the Distribution Agent Assisted Distribution Model and the general distribution model.
- (2) Mainly included sales made directly to end consumers through other e-commerce platforms.

Distribution Agent Assisted Distribution Model

We introduced the Distribution Agent Assisted Distribution Model in 2019 initially for the sale and distribution of our *MODONG* coffee. Under the Distribution Agent Assisted Distribution Model, we sell and distribute our branded products to end consumers primarily through our distribution network that consists of a Distribution Agent, our distributors and their sub-distributors. The Distribution Agents would be responsible for developing and managing the distribution network for the respective products.

The diagram below illustrates the business flow of the Distribution Agent Assisted Distribution Model:



Notes:

- (1) Distributors are considered as our customers who would place sale orders directly with our Group and onward sell the products to the sub-distributors procured by them and/or the end consumers.
- (2) Our Distribution Agent is responsible for the development and management of the distributors and sub-distributors, including but not limited to providing trainings on sales and marketing techniques to, and monitoring the performance of, the distributors and sub-distributors.
- (3) Our Distribution Agent would engage a third party service provider to provide assistance in the management of the distribution network. Services provided by such service provider mainly include, inter alia, (i) providing trainings and assistance to the distributors regarding the business registration under the applicable laws and regulations; (ii) calculating the discounts and incentives entitled by the distributors; (iii) conducting marketing and advertising activities for the development of the distribution network; and (iv) arrange settlement of certain discounts and incentives payable to our distributors.

We engage Distribution Agents to develop and manage our distributors and sub-distributors as our business focus for the new retail segment is the design and development of products. As of December 31, 2022, there were 742 distributors and 16,044 sub-distributors under the Distribution Agent Assisted Distribution Model. In the event that we do not delegate distributors management functions to the Distribution Agent(s), we would be required to divert our focus and

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resources, including manpower, in the development and management of the distribution networks, including but not limited to the frequent liaison with our vast number of distributors and sub-distributors and provision of trainings on sales and marketing techniques in a repeated manners, which are considered to be mundane and time consuming. We believe delegating such mundane works to the Distribution Agent(s) with the required expertise to assist us in developing the distribution network and providing assistance and guidance to our distributors and the sub-distributors would enable us to focus on our core businesses.

Pricing arrangement

We set benchmark prices for the sale of our products (i) by our distributors to their sub-distributors; and (ii) by our distributors or the sub-distributors to the end consumers and provide certain discounts, incentives and fees to our distributors to incentivize their sale performances. For details of our pricing arrangement under the Distribution Agent Assisted Distribution Model, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus. Our distributors and their sub-distributors are required to strictly comply with our pricing guidelines in the sale of our products. For details on our distributor management measures, please refer to the paragraph headed “Management of our distribution network – (V) Distributor management measures” in this section below.

Our Distribution Agents

During the Track Record Period and up to the Latest Practicable Date, we have engaged two Distribution Agents for the distribution of our products. We engaged Kunshan Tingshe as the Distribution Agent of our *MODONG* coffee, *Molitone* prebiotic gummy, *MODONG* herb beverage and *MODONG* probiotics lyophilized powder (i.e. the Kunshan Tingshe Distributed Products). Kunshan Tingshe is our first and the largest Distribution Agent. For the year ended December 31, 2019, 2020, 2021 and 2022, our revenue attributable to Kunshan Tingshe under the Distribution Agent Assisted Distribution Model amounted to RMB71.0 million, RMB340.8 million, RMB254.3 million and RMB167.7 million, respectively. For details of the background of, and our cooperation with Kunshan Tingshe, please refer to the sections headed “History, development and reorganization – Our history and development – Our major subsidiaries – Kunshan Tingshe – Disposal of our interest in Kunshan Tingshe” and “Distribution arrangement with Kunshan Tingshe” in this prospectus.

On the other hand, we engaged another Distribution Agent, namely, Kunshan Shouwang Xingguang E-commerce Company Limited (昆山守望星光電子商務有限公司) (“**Shouwang Xingguang**”) as the Distribution Agent to manage our distributors and the sub-distributors in our distributor network in relation to the sales and promotion of *Dr.mg* products. Shouwang Xingguang is a PRC established company with a registered capital of RMB1,000,000 which principally engages in the business of cosmetics wholesale and retail. According to publicly available information, Shouwang Xingguang is owned as to 99.0% by Mr. Qi Ronglin, who has over 10 years of industrial experience in cosmetic and e-commerce markets, and 1.0% by Mr.

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Yang Baoxing. We became acquainted with Shouwang Xingguang through Mr. Qi Ronglin, who was a co-worker with a member of our senior management, Ms. Jiang Xiuhong, before she joined our Group. To the best of the Directors' knowledge and belief, both Mr. Qi Ronglin and Mr. Yang Baoxing are Independent Third Parties. Our revenue attributable to Shouwang Xingguang amounted to RMB12.6 million and RMB2.1 million for the two years ended December 31, 2022, respectively. Our arrangement with Shouwang Xingguang is substantially the same as that with Kunshan Tingshe.

Our Directors are of the view that it is common in the industry for a company engaging in new retail business with a focus on sales through social media channels to cooperate with a distribution agent, which will assist such company in managing the distribution network.

Distributor movement

The table below sets forth the number of our distributors and the sub-distributors, including number of active sub-distributors, under our Distribution Agent Assisted Distribution Model in our distribution network for the years indicated:

| | Year ended December 31, | | | |
|--|-------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| Distributors | | | | |
| Number at the start of the year | 36 | 74 | 575 | 699 |
| Added during the year | 39 | 530 | 242 | 92 |
| Terminated during the year | (1) | (29) | (118) | (49) |
| Number at the end of the year | 74 | 575 | 699 | 742 |
| Sub-distributors | | | | |
| Number at the start of the year | 639 | 2,719 | 16,519 | 18,871 |
| Added during the year | 2,177 | 15,736 | 6,252 | 2,545 |
| Terminated during the year | (97) | (1,936) | (3,900) | (5,372) |
| Number at the end of the year ^(Note) | 2,719 | 16,519 | 18,871 | 16,044 |
| Of which: | | | | |
| – Number of sub-distributors that distributed the Kunshan Tingshe Distributed Products | 2,549 | 16,438 | 18,794 | 15,681 |
| – Number of active sub-distributors ^(Note) | 2,633 | 15,922 | 15,128 | 10,043 |

Note: We assess the performance of our distributors and sub-distributors on a regular basis based on their activeness. A sub-distributor is considered to be active if, in the past 12-month period, (i) it has introduced other sub-distributors to us; (ii) it has placed order with us; or (iii) it has sold our products to downstream sub-distributors and/or customers.

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The number of our distributors and the sub-distributors, including active sub-distributors, increased significantly in 2020 as we expanded our distribution network following the launch of *MODONG* coffee. To the best of our Directors' knowledge and belief, our sub-distributors may be end consumers, individuals who would further sell the products or a combination of both.

For the years ended December 31, 2019, 2020, 2021 and 2022, one, 29, 118 and 46 distributors and 97, 1,936, 3,900 and 5,372 sub-distributors, respectively, ceased to be our distributors or sub-distributors (where applicable). The cessation of cooperation may be due to personal reasons of the distributors and sub-distributors such as changes in their business focus or termination of cooperation by us. The Distribution Agents and our Group would jointly decide to terminate the cooperation with the distributors and sub-distributors if they become inactive or in the event of their non-compliance with their respective obligations under the distribution agreements. During the Track Record Period, the termination of cooperation with distributors and/or sub-distributors were mainly due to their failure in complying with our pricing guidelines. No distributors or sub-distributors were terminated due to provision of inappropriate and/or misleading information of our Group's products during the sales thereof.

Save as disclosed in the paragraph headed "Customers" in this section below, to the best of our Directors' knowledge and belief, there is no any other material past and present relationship (including but not limited to, business, family, trust, employment, shareholding, financing or otherwise) between our Group and our distributors/sub-distributors, and respective directors, ultimate beneficial owner(s) (if any), shareholder(s) (if any), senior management, or any of their respective associates.

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Risk of channel-stuffing

During the Track Record Period, we generated a substantial portion of our revenue from the sale of *MODONG* coffee under the Distribution Agent Assisted Distribution Model. The table below sets forth the breakdown of the sales of *MODONG* coffee for the indicated periods:

| | | Year ended December 31, | | | |
|--|-------|--------------------------------|-------------|-------------|-------------|
| | | 2019 | 2020 | 2021 | 2022 |
| Approximate total number of boxes sold in distribution network⁽¹⁾ | A=B+C | 632,000 | 3,314,000 | 2,132,000 | 1,380,000 |
| Sales revenue under distribution network (RMB'000) | D | 71,894 | 332,475 | 225,256 | 150,208 |
| Average price (RMB) | | 114 | 100 | 106 | 109 |
| <i>Originated directly from Distributors</i> | | | | | |
| Approximate number of boxes sold to distributor (excluding those sold to sub-distributors through the distributors) ⁽¹⁾ | B | 39,000 | 141,000 | 240,000 | 289,000 |
| Average number of boxes sold per distributor | | 584 | 280 | 382 | 463 |
| Maximum number of boxes purchased by a single distributor | | 2,066 | 4,617 | 29,880 | 34,520 |
| <i>Originated from Sub-distributors through Distributors</i> | | | | | |
| Approximate number of boxes sold to sub-distributors through distributors ⁽¹⁾ | C | 593,000 | 3,173,000 | 1,892,000 | 1,091,000 |
| Average number of boxes sold per sub-distributor | | 228 | 184 | 142 | 129 |
| Maximum number of boxes purchased by a single sub-distributor | | 2,220 | 2,420 | 4,000 | 5,020 |

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| | | Year ended December 31, | | | |
|--|--------------|-------------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| Others sale channels | | | | | |
| Sales revenue (RMB'000) ⁽²⁾ | E | 33 | 393 | 2,516 | 675 |
| Approximate number of boxes sold | | 100 | 1,000 | 1,000 | 1,000 |
| Total sales revenue of | | | | | |
| MODONG coffee (RMB'000) | F=D+E | 71,927 | 332,868 | 227,772 | 150,883 |

Notes:

- (1) Represented the total number of boxes of *MODONG* coffee sold pursuant to orders directly placed by distributors and orders from sub-distributors placed through distributors.
- (2) Represented revenue generated from sale through e-commerce channels, which also included insignificant amount generated from the sale of certain ancillary products of the *MODONG* coffee such as effervescent tablets, coffee cups and body fat scale.

As illustrated in the above table, a substantial portion of the *MODONG* coffee sold to our distributors was subsequently sold to their sub-distributors. Out of the total number of boxes of *MODONG* coffee sold to our distributors, approximately 93.8%, 95.7%, 88.7% and 79.1% were sold onward to our sub-distributors during the year ended December 31, 2019, 2020, 2021 and 2022, respectively.

In addition, based on (i) the scanning records of the QR code attached to each box of *MODONG* coffee (which was independently undertaken by the distributors and sub-distributors without the involvement of our Group); and (ii) the delivery records in respect of *MODONG* coffee that were sold to distributors (excluding those sold to sub-distributors through distributors) and directly delivered by us to the end consumers at the request of the distributors, it is shown that approximately 69%, 90%, 94% and 64% of the total number of boxes of *MODONG* coffee that were sold to end consumers during the four years ended December 31, 2022, respectively. We consider the remaining percentages mainly represent *MODONG* coffee consumed by the distributors and their sub-distributors for their own consumption and *MODONG* coffee sold to end consumers which had not been scanned by the distributors and sub-distributors. Based on the above, we consider the risk of channel-stuffing is remote.

Management of our distribution network

We adopt a tiered and top-down distributor management model in which the Distribution Agent assists us to monitor our distributors, which in turn are responsible for monitoring their respective sub-distributors. Our distributors are responsible for ensuring that sub-distributors comply with the terms and conditions set out in the sub-distribution agreement. In the event that a sub-distributor fails to comply with the terms and conditions as set out in the sub-distribution agreement, we will require the relevant distributor to terminate the sub-distribution agreement

that it entered into with such sub-distributor if such sub-distributor failed to rectify the identified non-compliances.

Set out below are the major policies and procedures in monitoring and managing the conduct of our distributors and their sub-distributors relating to the sale of our products:

(I) Product return policies

Our distributors shall accept product return and/or exchange (i) unconditionally within seven days of delivery in compliance with the E-Commerce Law; (ii) within 30 days of delivery if the returned product can be resold; or (iii) due to damage caused by product packaging or quality during product delivery, or problem arising from the consumption of the products.

Based on our understanding, we believe our distributors generally adopt similar product return policies with their sub-distributors.

(II) Market-oriented training programs

As a fast developing social e-commerce platform, distributor training is an essential and integrated part of our operations. Such trainings not only provide critical product information, knowledge and updates to our distributors for the promotion of our products, they also serve as an important distributor and consumer procurement method. We provide online and offline training services to our distributors and sub-distributors, where we train them mainly on our brand and the features of our products, while Kunshan Tingshe trains them mainly on sales and marketing techniques.

We founded *Star Plus E-Academy* (巨星E學院) course platform under our WeChat official account, Star Plus Action, in order to advocate healthy lifestyle, instruct marketing skills and promote our products. Both our Group and our Distribution Agents may provide respective online trainings on such platform. We also conduct offline training meetings which held in different venues such as hotels and conference centers. Course materials of these trainings are designed to cover professional knowledge about our products, our Company's regulations, health management, sales and marketing skills and team management. Our instructors team includes our in-house health management advisors, our distributors, and external entrepreneurs or lecturers.

(III) Approval of distributorship

The applications to join our distribution network shall be approved by our Group and the Distribution Agents before the sub-distributors can become our distributors. The criteria for selection of potential distributors include, but not limited to, scale of customer base, eligible business qualification and license and financial resources. Each of our distributors is required to maintain certain number of qualified sub-distributors.

(IV) Distributor database

Once a distributor is approved and granted access of the database, detailed record will be kept for the distributor including product ordering record, order and delivery status, stock and inventory level status. The database provides us with a holistic view and control of our distribution network as well as detailed information of each distributor for management purpose. In particular, analyzing product ordering record in the Ordering Management System allow us to estimate the inventory level and activity levels of each distributor.

(V) Distributor management measures

We manage the performance of our distributors by issuing and requiring strict compliance of other market management policies and pricing guidelines. The key terms of our market management policies include:

- *Pricing guidelines.* When our distributors or the sub-distributors onward sell our products to the end consumers, they use a unit selling price set by us. We allow our distributors and the sub-distributors to give certain volume-based discounts to the end consumers based on the discount guidance that we set. All the distributors and sub-distributors must strictly comply with our pricing guidelines, and carry out sales and expand channels according to our pricing guidelines and operating system policies. If distributors and sub-distributors violate such policies, their distribution qualification may be suspended or canceled, and the volume discount granted and the performance deposits paid in that month shall also be forfeited. Meanwhile, penalties may also be imposed on the respective distributor.
- *Prohibition on sales by borrowing goods.* Sub-distributors are not allowed to borrow products for sale, and they must purchase our products from their respective distributors.
- *Non-compliance with distributions agreement (“DSD Agreement Non-Compliance”).* We have adopted different measures in preventing and identifying any DSD Agreement Non-Compliance. On the one hand, we provide trainings on, among others, rules that shall be complied for sales and promotion of our products to our distributors and sub-distributors. In addition, distributors, who (“**Introducing Distributors**”) assist the Distribution Agent to, among others, extending our distribution network by procuring new distributors (“**Procured Distributors**”), also provide hands-on advice to Procured Distributors which, among others, ensure the information provided by sub-distributors, in particular newly-joined sub-distributors, to end consumers are accurate and not misleading. On the other hand, we encourage our distributors and sub-distributors to monitor and report to us any potential DSD Agreement Non-compliance in the market. In addition, we have a dedicated team responsible

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for monitoring sales of our products on (a) the mainstream e-commerce platforms; and (b) the social e-commerce channels of our distributors and sub-distributors, in order to actively identify DSD Agreement Non-compliance, such as sales on unauthorized channels/platforms. Our team also cooperates with external law firms and/or intellectual property professionals in collecting evidence for alleged DSD Agreement Non-compliance and possible infringement activities on these sale channels/platforms. During the Track Record Period, no distributors or sub-distributors were terminated due to provision of inappropriate and/or misleading information of our Group's products during the sales thereof.

Our PRC Legal Advisors are of the view, and our Directors concur, that our Company has no liability for the DSD Agreement Non-compliance, particularly with respect to provision of inappropriate and/or misleading information by the distributors and sub-distributors of our Group's products, having considered: (i) the distribution agreements entered into by the distributors or the sub-distributors provide that any promotional materials should be either provided or approved by us; (ii) such inappropriate and/or misleading information of our products are provided by the distributors and sub-distributors (if any) in breach of the distribution agreements. We did not have any material financial disputes with our distributors or the sub-distributors during the Track Record Period.

Our distributors' compliances with the E-Commerce Law

Pursuant to the E-Commerce Law that came into effect on January 1, 2019, distributors that conduct e-commerce business via WeChat, *Kuaishou*, *XiaoHongShu* or other platforms would be regarded as e-commerce operators (i.e. in-platform business operators, or other e-commerce operators sell commodities or offer services through a self-built website or other network services) and be required to register with the competent authorities as Individual Proprietors or corporate entities. Pursuant to the E-Commerce Law, if e-commerce operators fail to be registered as Individual Proprietors or corporate entities, unless exempted under certain circumstances, such e-commerce operator may be required to rectify the non-compliance within a specified time limit and may also be fined an amount of no more than RMB10,000. During the Track Record Period, the substantial majority of our distributors were individuals. For the year ended December 31, 2019, 2020, 2021 and 2022, the aggregate number of distributors who had historically failed to register as Individual Proprietors or corporate entities throughout each year were 75, 583, 718 and 70, respectively, contributing revenue of RMB80.8 million, RMB360.8 million, RMB176.7 million and RMB2.8 million, respectively, during the respective financial year. Such revenue represented approximately 100.0%, 98.8%, 58.6% and 0.8% of our Group's total revenue with respect to the new retail segment during the Track Record Period, respectively.

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As advised by our PRC Legal Advisors, our Group is not an e-commerce platform operator and therefore not required to comply with the responsibilities of an e-commerce platform operator (including but not limited to monitoring, notifying and providing assistance to our distributors to complete registrations of corporate entities). Hence, there would not be any legal implication to us even some of our distributors did not comply with the E-Commerce Law during the Track Record Period.

Nevertheless, to encourage our distributors' compliances with the relevant requirements under the E-Commerce Law, we have been requiring our distributors to take action to change to corporate entity or Individual Proprietor status and register with the competent authorities, while we allow a transition period for them to do so, in order to minimize the potential impact that it may have on our business or distributors. In addition, our Distribution Agent provides guidance to our distributors on how to register oneself as an Individual Proprietor or a corporate entity. The number of distributors who failed to register as Individual Proprietors or corporate entities were 120, 25, 10 and 10, respectively, as at December 31, 2020, 2021, 2022 and the Latest Practicable Date. Given a vast number of individual distributors failed to register as Individual Proprietors or corporate entities when the E-commerce Law came into effect, it took a while for our distributors to complete such registration.

As at the Latest Practicable Date, approximately 99% of our distributors had registered as Individual Proprietors or corporate entities, whilst some new distributors were in the process of the registration as Individual Proprietors or establishment of corporate entity(ies) for their respective involvement in the distribution network as distributors. As almost all of our distributors have been registered as Individual Proprietors or corporate entities as of the Latest Practicable Date, our Directors are of the view that failure by a small number of distributors to comply with the E-Commerce Law would not have any material impact on our business operation and distributors.

The Temporary Suspension of Bank Accounts due to alleged pyramid selling

We and Kunshan Tingshe, one of our Distribution Agents, were subject to two incidents in 2020 and 2021 in respect of our business under the Distribution Agent Assisted Distribution Model, whereby certain funds in our bank accounts were temporarily frozen by certain local government authorities outside Kunshan, on the unfounded allegation that we were engaged in pyramid selling under the Regulation on the Prohibition of Pyramid Selling (the “**Temporary Suspension of Bank Accounts**”). After we took prompt actions to defend our legal rights and interest, both of the above incidents were resolved in our favor and our funds were released in full unconditionally within a short period of time.

In June 2020, a local Administration for Market Regulation of a fourth-tier city froze certain bank accounts of our then group companies, Kunshan Tingshe, Li Ting and Li Ting's spouse for suspected pyramid selling. All of the above-mentioned group companies were registered in Kunshan. In May 2021, a local Administration for Market Regulation of a fourth-tier city froze certain bank accounts which belong to two of our group companies which were registered in Kunshan and Beijing, respectively, Kunshan Tingshe, Li Ting, and a distributor.

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As advised by our PRC Legal Advisors, the actions undertaken by the local government authorities in the Temporary Suspension of Bank Accounts only concerns the issuance of pre-litigation asset preservation orders pending further investigation, and does not involve any imposition of administrative penalties. Additionally, save as the abovementioned parties which had their bank accounts frozen during the Temporary Suspension of Bank Accounts (as the case may be), none of our group companies or entities associated with Li Ting which were principally engaged in new retail operations were subject to any administration penalties by market regulation authorities during the Track Record Period and up to the Latest Practicable Date.

In response to each temporary account freeze, we reported to Kunshan AMR, which is the competent authority supervising our new retail operations, and Kunshan AMR carried out inspections on our operations and issued the two Inspection Opinions in June 2020 and June 2021, respectively, which concluded that we were engaged in new retail activities through a legitimate distribution model. Following the discussion by Kunshan AMR with the local authorities involved in the Inspection Opinion, the relevant local authorities ordered our frozen funds to be fully and unconditionally released in July 2020 and July 2021, respectively.

According to Article 8 of the Provisions on Administrative Penalty Procedures for Market Regulation (市場監督管理行政處罰程序規定), an administration for market regulation at the level of county or city comprising different districts shall have jurisdiction over administrative penalty cases occurring within its jurisdiction ex officio. As advised by our PRC Legal Advisors and based on the confirmation provided by Kunshan AMR, since (i) our subsidiaries principally engaging in new retail business and Kunshan Tingshe are domiciled in Kunshan which is a county-level city; and (ii) the main functions of our new retail operation (including but not limited to management, product development and our management over the distribution channels) are conducted in our headquarters located in Kunshan only, therefore according to the Regulations on Jurisdiction of Administration for Market Regulation, Kunshan shall be regarded as the place where our new retail operations take place under the applicable PRC laws and regulation. Even though our products are sold nationwide, Kunshan AMR is the competent authority supervising our new retail operations.

Based on the interviews with Kunshan AMR, both the Temporary Suspension of Bank Accounts were also reported to the SAMR in the manner followed by the PRC administrative authorities in accordance with their normal practice. To the best of our Directors' knowledge, no objection or any opinion from the SAMR has been received by Kunshan AMR in relation to such reports.

The Sole Sponsor, together with our PRC Legal Advisors, Jingtian & Gongcheng and Jones Day (as one of the PRC and Hong Kong legal advisors of the Sole Sponsor, respectively), conducted interviews with Kunshan AMR which confirmed that Kunshan AMR is the competent authority supervising and regulating the new retail business operation of the Group and Kunshan Tingshe, given that (i) territorial jurisdiction is one of the basic principles embodied in various PRC administrative laws and regulations, and (ii) Kunshan AMR, being the local county level AMR, is the competent authority supervising and regulating all enterprises in Kunshan.

Regulations relating to pyramid selling under our Distribution Agent Assisted Distributors Model

The Regulation on the Prohibition of Pyramid Selling prohibits, amongst others: (i) paying remunerations to recruiters based on the number of persons recruited; (ii) requesting recruiters to pay fees for the purpose of obtaining the qualification or recruiting others to participate in pyramid selling; and (iii) requesting recruiters to persuade others to participate in pyramid selling so as to form a multi-level relationship and paying remuneration to an upper-level promoter based on the sales performance of the promoters at the lower-level, in each case, in order for seeking illegal gains.

The Inspection Opinions

According to the Inspection Opinions, our new retail business operations complied with all the relevant laws and regulations based on, amongst others, the following reasons:

- *Legitimate distributor relationship and sales channel expansion methods:* There is no upstream contribution relationship between different levels of distributors that is typical in pyramid selling, which means the proceeds to be received by distributors of higher tiers is to be calculated based on the number of new distributors or members that it is able to lure to join the network and who will be paying upfront fees to the scheme upon joining. Our distributors and the sub-distributors generate profit from the difference between the sales price and procurement price as well as relevant discount(s). Our distributors and the sub-distributors are procured through legitimate means with a focus on commercially reasonable returns through sales of products.
- *Legitimate product distribution system:* We are able to monitor the distribution of our products and require our distributors and the sub-distributors to reach certain benchmarks before they are allowed to join our distribution network.
- *Legitimate transaction with a fair market value:* Sales of our products are legitimate transactions, and our products have a fair market value.
- *No other enforcement actions:* As of the date of the Inspection Opinion issued in June 2021, Kunshan Star Plus Action and Kunshan Tingshe were not subject to any administration penalties by market regulation authorities for acquiring unlawful benefits, damaging consumer interest or committing commercial frauds, and Kunshan AMR did not receive reports from other market regulation authorities in relation to suspected illegal activities of such companies.

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Our PRC Legal Advisors' views

As advised by our PRC Legal Advisors, based on the Inspection Opinions issued by the Kunshan AMR:

- (a) our business model does not involve paying remunerations to the distributors based on the number of persons recruited in order for seeking illegal gains, which is prohibited by the Regulation on the Prohibition of Pyramid Selling, based on the following reasons: (i) our products sold are legitimate transactions with reasonable price, and we focus on the quality of the products with product return and exchange policies to protect the interests of the end consumers in accordance with applicable PRC laws and regulations; (ii) incentives we give to the Introducing Distributors for their efforts to provide assistance and guidance to the Procured Distributors in relation to the products and marketing strategies are not merely based on the number of persons recruited by the Introducing Distributors, which are not prohibited by the Regulation on the Prohibition of Pyramid Selling for the bases set forth in sub-paragraph (c) below; and (iii) although we require each distributor to maintain a certain number of qualified sub-distributors, such arrangement is not prohibited under the Regulation on the Prohibition of Pyramid Selling as: (x) such arrangement is commercially logical and not prohibited by the PRC law as no illegal purpose was involved; and (y) distributors who failed to meet such requirement would not be prohibited from selling our products (despite that the relevant distributors may be downgraded to sub-distributors);
- (b) our business model does not involve requesting the distributors to pay fees for the purpose of obtaining the qualification or recruiting others to participate in selling, in order for seeking any illegal gains prohibited by the PRC law, based on the following reasons: (i) although distributors/sub-distributors are required to pay a deposit, such deposit is solely for the purposes of guaranteeing the distributors' compliance with the distribution agreement; (ii) distributors/sub-distributors are able to freely exit the distribution network and such deposit will be refunded upon termination according to the clause of distribution agreement; and (iii) besides the deposit, the distributors/sub-distributors are not required to pay any fees to the Group in order for being qualified to distribute the products of the Group;
- (c) our distribution model focuses on product sales (rather than merely receiving incentives) for the purpose of seeking lawful interests, which is not prohibited under the Regulation on the Prohibition of Pyramid Selling. Formal distribution/sub-distribution agreements have been entered into with the distributors/sub-distributors which clearly set forth their respective rights and obligations. Incentives are given to the Introducing Distributors for their efforts to provide assistance and guidance to the Procured Distributors, who are mostly new to the social e-commerce industry and lack of sufficient skills and expertise, in relation to the products and marketing strategies so that the Procured Distributors equipped with relevant product and marketing skills and knowledge for their sales. The

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Introducing Distributors are required to provide (i) assistance in various training and marketing events organized by us in respect of product expertise training, market knowledge training and updates on development of our Group and our products; (ii) various trainings mainly on sales and technique, such as organizing, product usage experience sharing meetings, regional sales forum and distributors promotion meetings; and (iii) guidance to get registered as an Individual Proprietor or a company, the use of the Ordering System and other necessary procedures established by us, by way of face-to-face meetings or online channels such as WeChat; and

- (d) our new retail operations comply with all the relevant PRC laws and regulations in all material respects and should not be considered as pyramid selling because the sales of our Kunshan Tingshe Distributed Products does not fall under the prohibited categories stipulated in the Regulation on the Prohibition of Pyramid Selling.

Board confirmation

Our Directors confirm that the Temporary Suspension of Bank Accounts did not have any material adverse impact on our operations. During the Temporary Suspension of Bank Accounts, we were able to utilize our remaining cash on hand and operating cash inflow to settle the expenses incurred during our ordinary course of business.

Based on the advice of our PRC Legal Advisors, our Directors are of the view, and the Sole Sponsor concurs, that our distribution model, including the incentives given to the Introducing Distributors for procuring new distributors and the requirement for each distributor to maintain a certain number of qualified sub-distributors, does not involve any activities prohibited under the Regulation on the Prohibition of Pyramid Selling.

In addition, our Board, after taking into account the views of Kunshan AMR and the advice of our PRC Legal Advisors, is of the view that: (i) the prompt resolutions of the Temporary Suspension of Bank Accounts have essentially proven that we are not engaged in pyramid selling; (ii) the implementation of the Kunshan Pilot Program has conveyed a clear message that we are engaging in a legitimate new retail business, increase the awareness of our business model nationwide so that local government authorities can have better understanding of our business model and its legitimacy; and (iii) adequate controls and measures had been put in place to prevent the occurrence of similar incidents. In May 2022, Ms. Ma (one of our Founders, Controlling Shareholders and executive Directors) was appointed as a member of “New Retail and Livestreaming E-commerce Expert Committee” (新零售和直播電商專家委員會) by the Research and Development Centre of the State Administration for Market Regulation of the PRC (國家市場監督管理總局發展研究中心). We believe that such appointment of Ms. Ma demonstrated the government’s support and recognition of the business model of our new retail business.

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Please refer to the section headed “Risk factors – Risks relating to our business and industry – The relevant rules and regulations on social e-commerce in China are still under development and subject to interpretation, and their implementation involves uncertainty” in this prospectus for the risks that we may face.

Preventive measures adopted to mitigate the risk of similar incidents and potential impact on our operations

To prevent incidents similar to the Temporary Suspension of Bank Accounts from recurring and to maintain normal operations should any similar incident recur, we implemented the following preventive measures:

- (a) We had been cooperating with the relevant competent authorities, including Kunshan AMR, to facilitate the implementation of the Kunshan Pilot Program, which we believe can increase the awareness of our business model nationwide. We also maintain periodic communication with Kunshan AMR which allows Kunshan AMR to supervise our operations and to ensure that no aspect of our operations is or might violate the relevant rules and regulations. In particular, Kunshan AMR is able to have direct access to our operation system in real time, which allows it to have full knowledge of our business model by accessing our new retail operational data covering aspects such as orders, shipments, and members in our distribution network and their recent activities. Such guidance and cooperation help to maintain the legitimacy of our business model.
- (b) We have adopted procedures for regular review on the operation risk of the cities and/or regions in which we operate. In particular, we have been monitoring any pre-trial investigation or administrative measures, such as freezing of bank accounts, adopted by the local Administration for Market Regulations in connection with any alleged cases of pyramid-selling. We consider that operating in cities and/or regions which adopted a relatively tough policy towards alleged cases of pyramid-selling would impose a higher business interruption risk to our Group similar to that caused by the Temporary Suspension of Bank Accounts. We may, after taken into accounts the aforesaid operation risk, as well as the overall strategic importance of a specific city and/or region to our business and the background of the local distributors and sub-distributors, consider suspending our expansion in such cities and/or regions. As at the Latest Practicable Date, we ceased to develop new distributors or sub-distributors in 41 cities, municipalities or counties which were identified as posing high operation risk to us. As advised by our PRC Legal Advisors, if we, our distributors and sub-distributors, agents or other representatives have no or minimal business presence in such municipality, the risk that law enforcement authorities in such municipality issuing pre-litigation asset-preservation orders to wrongfully freeze our bank accounts would be minimal.

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- (c) We increased the amount of prepayment to our supplier to ensure that we have sufficient inventory for two to four months of our operations.
- (d) We allocated cash on hand across bank accounts of our various group companies, including bank accounts of our group companies principally engaged in IP creation and operation business, for temporary or contingency use. We also maintained standing funds held in a Hong Kong bank account which could be utilized any time, if necessary. We will take further initiatives to obtain credit lines from financial institutions, which will act as additional contingency funds.

Cannibalisation

Our Directors are of the view that there was no cannibalisation issue among our distributors and the sub-distributors, and sufficient and effective measures had been put in place to avoid cannibalisation for the following reasons: (i) each of the sub-distributors purchases products from a particular distributor after a sub-distribution agreement is entered into between both parties which requires them to follow our Company's market management policy. Such policy prohibits a sub-distributor to purchase products from any other distributor, hence the competition between our distributors over the sub-distributors is minimal; (ii) there is a guidance price that our distributors and sub-distributors should closely adhere to when they on-sell our products, and apart from monitoring activities carried out by ourselves, our distributors and the sub-distributors will also keep track of each other's marketing activities, hence we believe that an effective system has been put in place to avoid any pricing disorder. Further, if we notice that any of our distributors or the sub-distributors does not follow our pricing policy, the distributorship arrangement with the relevant distributor or sub-distributor can be terminated at our or the relevant distributor's discretion, respectively; and (iii) our distributors and the sub-distributors distribute our products through their own PDT (i.e. connections within their own social network) to end consumers, hence each member in our distribution network should have their own group of target customers and end consumers which do not materially overlap.

General distribution model

During the Track Record Period, we distributed products other than the Kunshan Tingshe Distributed Products and skincare products under the *Dr.mg* sub-brand, mainly including products under the *Dr. INYOU* brand, under the general distribution model, through our network of distributors (including Kunshan Tingshe not acting in the capacity of Distribution Agent) and sub-distributors without the engagement of a Distribution Agent.

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Background of the major distributor and the salient terms of our distribution agreement entered therewith under the general distribution model

The following summarizes the background of our major distributor under the general distribution model, Customer D, and the salient terms of our distribution agreement with it:

- Major distributed products** *LA DEW* skincare products, products under *Chaxiaojie* sub-brand and products under *Dr. INYOU* brand
- Background** To the knowledge of our Company, Customer D is a PRC incorporated company principally engages in the sales of food products, cosmetics and daily necessities. Based on publicly available information, Customer D is owned by two Independent Third Parties, including (i) its legal representative, executive director and general manager as to 51%; and (ii) an individual as to 49%.
- Our relationship with the distributor** We became acquainted with Customer D through the referral of Ms. Ma's friend. To the best of our Directors' knowledge and belief, apart from the distribution relationship, our Group does not have any other past or present relationship (including, without limitation, business family, trust, employment, shareholding, financing or otherwise) with Customer D, its directors, shareholders, senior management, or any of their respective associates.
- Salient terms of distribution agreement**
- (a) Term: From December 1, 2021 to December 31, 2024, and renewable upon negotiations 30 days before the expiry of contract term.
- (b) Security: Customer D is required to make a security deposit of RMB1 million with us.
- (c) Payment: The credit term shall be three months from December 1, 2021 to June 30, 2022, and one month thereafter.
- (d) Sales and Pricing: Customer D shall set the price within a reasonable price range. The distributor shall be responsible for all the expenses for delivery, storage, operation and development of distribution channels, training and organization of offline activities.

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We commenced engaging Customer D in late 2021. The revenue contributed by Customer D for the two years ended December 31, 2022 was RMB12.0 million and RMB4.5 million, respectively.

Based on our communication with Customer D, we understand that Customer D distributed our skincare products under *LA DEW* through two e-commerce platforms including *Douyin*, and sold such skincare products to individuals offline. During the Track Record Period, we had other distributors under the general distribution model with relatively smaller transaction amounts. Based on our communication with our distributors under the general distribution model, we understand their respective downstream sales channels. In the event that our distributor onward sells our products to retailers, such as supermarket(s) and e-commerce platform(s), we will visit the physical store(s) or e-commerce platform(s) (where appropriate) to verify whether our products are being sold to end consumers. In addition, we would understand their respective inventory level during our communication with our distributors under the general distribution model from time to time. By understanding their inventory level, we would be able to understand the fluctuation in their inventory level and check whether there are any obsolete inventory. We are of the view that the inventory level monitoring arrangements would minimize the risk of channel stuffing among our distributors under the general distribution model.

We expect our sale of health management products under *MODONG* brand, which would be launched in the future, would also be distributed under the general distribution model.

Distribution through other e-commerce channels

We also distribute our products through other e-commerce channels where we directly sell our products to the end consumers. Such e-commerce channels include our *Star Plus 4U* App (巨星優選) and our stores operated on various online platforms such as our *Tmall* stores, *Kuaishou* stores and *Douyin* stores. End consumers may place orders for our products through these e-commerce channels and we will be responsible for delivery of the products to the end consumers. Payments for our products are made through the e-commerce channels, which will subsequently be paid to us according to the relevant policies of the e-commerce channels.

***Star Plus 4U* (巨星優選)**

On July 1, 2021, we entered into a cooperation agreement with Kunshan Huaxing Internet Cultural Promotion Limited (昆山華星互聯文化傳播有限公司) (“**Kunshan Huaxing**”) for the operation of *Star Plus 4U* (巨星優選). We are the copyright and trademark owner of the *Star Plus 4U* App, and Kunshan Huaxing is an Independent Third Party and obtained the value-added telecommunication services license. Kunshan Huaxing operates the *Star Plus 4U* software, through which users can directly purchase a majority of our products as well as the products procured from other suppliers.

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The following summarizes the salient terms of the cooperation agreement with Kunshan Huaxing:

Scope of cooperation: We granted Kunshan Huaxing the license to use *Star Plus 4U* and Kunshan Huaxing agrees to operate *Star Plus 4U*. Subject to our prior approval, Kunshan Huaxing is entitled to sell products procured from other suppliers in addition to our products on *Star Plus 4U*.

Fee arrangement: We shall receive 50% of the sales revenue of all the products sold through the platform, after deducting the cost of sales and sales and marketing expenses.

Term: Five years.

Our rights: We are the owner of the intellectual property of *Star Plus 4U* App and all the business related information, except for the relevant operational and user data.

Other e-commerce channels

Other than the *Star Plus 4U App*, we also sell our products through various e-commerce channels including our *Tmall* stores, *Kuashou* stores and *Douyin* stores. We normally sell our products which target the general public through e-commerce platforms.

In addition, since December 2021, we have further expanded our sales channels where we commenced selling the products for our new retail business through E-commerce Livestreaming sessions and online short videos on *Douyin*. We created our own *Douyin* account “劉畊宏肥油咔咔掉” (which is a popular slogan that is featured in Mr. Liu Keng-hung’s Livestreaming session) to conduct E-commerce Livestreaming sessions for the sale of our products and collaborate with celebrities and KOLs (e.g. Ms. Vivi Wang) to promote the sales of our products on our *Douyin* stores through, among others, E-commerce Livestreaming sessions and online short videos through our *Douyin* account and/or the accounts of the relevant celebrities and KOLs. In 2022, we recognized revenue of RMB34.1 million from the sales of our products through *Douyin* stores mainly directed from the E-commerce Livestreaming sessions. For further details, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang” in this prospectus.

During the E-commerce Livestreaming sessions and/or in the online short videos, the relevant celebrities and KOLs would normally introduce our products and share the features of such products with his/her viewers. Viewers can access our *Douyin* stores by clicking the link posted in the E-commerce Livestreaming sessions and/or online short videos in real time. Any sales conducted through the specific link would then be recorded as sales attributable to the relevant celebrities and KOLs. According to the terms and conditions of *Douyin*, we shall pay (i) service fees to *Douyin* for operation and technical support services, which are generally at standard fee rates (which vary depending on the types of products being sold) of our sales derived from completed transactions, from the specific link; and (ii) commission to the relevant celebrities and KOLs where such commission are generally based on pre-agreed percentage of

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the transactions completed from the specific link. During the year ended December 31, 2022, commission rate payable by us to such celebrities and KOLs typically ranged from 10% to 30% and we recorded expenses of commission of RMB8.6 million. Please also refer to the section headed “Financial information – Description of major components of our results of operations – Selling and marketing expenses – Commissions” for further details on the commissions to celebrities and KOLs. Our Directors are of the view that the commission rate payable by our Group to celebrities and KOLs is in line with the prevailing market rate.

As the celebrities and KOLs whom we collaborate with are of good reputation (i.e. with good ratings on *Douyin*) and generally have well-established viewers base, our Directors are of the view that they should be able to promote our products effectively. We consider that distribution of our products on these e-commerce platforms would enhance our brand awareness as well as customer base.

CUSTOMERS

Our customers consist of customers from our new retail business and IP creation and operation segments. For our new retail business, our customers are our distributors, and our end consumers include our distributors, sub-distributors as well as the users of our products. For our IP creation and operation, our customers primarily consist of content producers, IP licensing partners and online platform operators. We have developed a stable relationship with our key customers.

In each year during the Track Record Period, revenue generated from our top five customers accounted for approximately 23.5%, 21.2%, 16.3% and 23.6%, and the total revenue generated from our largest customer and its affiliates accounted for approximately 6.4%, 13.7%, 5.6% and 8.3% in each year during the Track Record Period, respectively.

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The following tables set forth the details of our five largest customers in each year during the Track Record Period:

For the year ended December 31, 2019

| Customer | Customer type/ background | Business segment | Place of business | Revenue attributable to customer (RMB'000) | Approximate % of our total revenue (%) | Commencement of business relationship |
|---------------------------------------|------------------------------|------------------|-------------------|---|---|---|
| Zhang Yinmei (張銀美) ⁽¹⁾ | Distributor | New retail | Shanghai | 5,581 | 6.4 | 2018 |
| Zhou Rongmei (周榮梅) ⁽²⁾ | Distributor | New retail | Zhejiang | 3,976 | 4.6 | 2018 |
| Customer A ⁽³⁾ | Distributor | New retail | Zhejiang | 3,823 | 4.4 | 2018 |
| Wang Lei (王蕾) ⁽⁴⁾ | Distributor | New retail | Zhejiang | 3,547 | 4.1 | 2018 |
| Zhang Yanling (張艷玲) ⁽⁵⁾ | Distributor | New retail | Shandong | 3,503 | 4.0 | 2018 |

Notes:

- (1) Zhang Yinmei (張銀美) is an individual with business positions in both the trading and e-commerce industries. She is the proprietor of a trading firm and a daily necessities firm, as well as a legal representative and executive director of a trading company and a e-commerce company. For the year ended December 31, 2019, Zhang Yinmei (張銀美) was our distributor in her personal capacity. Subsequently, such customer entered into a distribution agreement through a corporate entity controlled by him/her as to 80% and the remaining equity interest is owned by an individual who is an Independent Third Party.
- (2) Zhou Rongmei (周榮梅) is an individual with trading background. She is the legal representative, executive director and manager of a trading company, as well as the proprietor of a trading firm and a food store. She was awarded the Emerging Outstanding WeChat Business Team by *China Beauty* in 2015. For the year ended December 31, 2019, Zhou Rongmei (周榮梅) was our distributor in her personal capacity. Such customer established an Individual Proprietor in July 2020 and such entity was subsequently our distributor.
- (3) Customer A is an individual with e-commerce and trading background. She is currently the legal representative, executive director and general manager of an e-commerce company and a garment company, as well as the proprietor of a trading firm, a clothing store, and a e-commerce studio. For the year ended December 31, 2019, Customer A was our distributor in her personal capacity. Such customer established an Individual Proprietor in July 2020 and such entity was subsequently our distributor.
- (4) Wang Lei (王蕾) is an individual with e-commerce and trading background. She is currently the legal representative, executive director and manager of an e-commerce company, as well as the proprietor of a trading firm and a clothing store. For the year ended December 31, 2019, she was our distributor in her personal capacity. She established an Individual Proprietor in April 2019 and such entity was subsequently our distributor.
- (5) Zhang Yanling (張艷玲) is an individual with trading and business background. She is currently the legal representative, executive director and general manager of a business services company, and the supervisor for another business services company. She is also the proprietor of a trading firm and a clothing store. For the year ended December 31, 2019, she was our distributor in her personal capacity. She established an Individual Proprietor in July 2014 and such entity was subsequently our distributor.

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For the year ended December 31, 2020

| Customer | Customer type/ background | Business segment | Place of business | Revenue attributable to customer (RMB'000) | Approximate % of our total revenue (%) | Commencement of business relationship |
|------------------------------------|---|---------------------------|-------------------|---|---|---|
| Customer B ⁽¹⁾ | Cable television, radio and television broadcasting with program production, and video on demand services | IP creation and operation | Zhejiang | 62,409 | 13.7 | 2020 |
| Netflix, Inc. | Streaming service provider offering streaming of TV series, documentaries and films | IP creation and operation | United States | 19,181 | 4.2 | 2020 |
| Xie Fang (謝芳) ⁽²⁾ | Distributor | New retail | Fujian | 5,785 | 1.3 | 2019 |
| Customer A ⁽³⁾ | Distributor | New retail | Zhejiang | 4,913 | 1.1 | 2018 |
| Gan Liping (甘麗萍) ⁽⁴⁾ | Distributor | New retail | Guangxi | 4,220 | 0.9 | 2018 |

Notes:

- (1) Customer B is a comprehensive media group directly affiliated to the Provincial Party Committee and Provincial Government of Zhejiang, China, with news and propaganda as its main sectors. It has more than 7,100 employees, 10 TV channels, and eight broadcasting frequencies. Its business scope covers newspapers, magazines, audiovisual publishing, film and television drama production, cultural parks, media engineering, tourist hotels, comprehensive properties, and other fields.
- (2) Xie Fang (謝芳) is an individual with trading background. She is the legal representative, executive director and general manager of a trading company, as well as the proprietor of a clothing store and a trading firm. For the year ended December 31, 2020, she was our distributor in her personal capacity. She established an Individual Proprietor in July 2020 and such entity was subsequently our distributor.
- (3) Customer A was also one of our five largest customers for the year ended December 31, 2019. For details, please refer to note 3 to the List of top five customers for the year ended December 31, 2019 above.
- (4) Gan Liping (甘麗萍) is an individual with trading and e-commerce background. She is the legal representative, executive director of a trading company and an e-commerce company. She is also the proprietor of a trading firm and a department store firm. For the year ended December 31, 2020, she was our distributor in her personal capacity. Subsequently, she entered into a distribution agreement through a corporate entity established in July 2020, which was owned by her as to 99% and the remaining equity interest was owned by an individual who is an Independent Third Party.

BUSINESS

For the year ended December 31, 2021

| Customer | Customer type/ background | Business segment | Place of business | Revenue attributable to customer (RMB'000) | Approximate % of our total revenue (%) | Commencement of business relationship |
|------------------------------------|---|------------------------------|-------------------|---|---|---|
| Customer C Group ⁽¹⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Beijing | 20,484 | 5.6 | 2021 |
| Customer D ⁽²⁾ | Wholesaler | New retail | Jiangsu | 11,964 | 3.3 | 2021 |
| Customer E ⁽³⁾ | Organize and plan cultural and sports activities | IP creation and operation | Sichuan | 9,974 | 2.7 | 2021 |
| Customer F ⁽⁴⁾ | Cultural and creative design services; Music art consulting; Planning of cultural activities | IP creation and operation | Guangdong | 8,726 | 2.4 | 2021 |
| Customer G ⁽⁵⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Zhejiang | 8,491 | 2.3 | 2021 |

Notes:

- (1) Customer C Group is listed on the Main Board of the Stock Exchange principally engaged in the operation of video-based social platforms and the provision of livestreaming and online marketing services.
- (2) Customer D is a PRC incorporated company with a registered capital of RMB100,000. Its principal business includes the wholesale and retail of food products.
- (3) Customer E is a PRC incorporated company with a registered capital RMB1 million. Its principal business includes the organization and planning of cultural and sports activities.
- (4) Customer F consists of two fellow companies under the same blue chip Chinese multinational technology conglomerate listed on the Main Board of the Stock Exchange, whose principal business includes digital content, communication and social platform.
- (5) Customer G is a PRC incorporated company with a registered capital of RMB50 million. Its principal business includes the production of radio and television programs, publication of advertisements, operation of internet cultural content, and sale of packaged food products online. According to publicly available information, Customer G has more than 900 employees.

BUSINESS

Year ended December 31, 2022

| Customer | Customer type/ background | Business segment | Place of business | Revenue attributable to customer (RMB'000) | Approximate % of our total revenue (%) | Commencement of business relationship |
|---------------------------------|--|---------------------------|-------------------|---|---|---|
| Customer G ⁽¹⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Zhejiang | 28,565 | 8.3 | 2021 |
| Customer C Group ⁽²⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Beijing | 23,895 | 6.9 | 2021 |
| Customer H Group ⁽³⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Beijing | 16,287 | 4.7 | 2022 |
| Customer I ⁽⁴⁾ | Production and operation of radio and television programs; Advertising designing | IP creation and operation | Fujian | 7,854 | 2.3 | 2022 |
| Customer D ⁽⁵⁾ | Wholesaler | New retail | Jiangsu | 4,478 | 1.3 | 2021 |

Notes:

- (1) Customer G was also one of our five largest customers for the year ended December 31, 2021. For details, please refer to note 5 to the List of top five customers for the year ended December 31, 2021 above.
- (2) Customer C Group is also one of our five largest customers for the year ended December 31, 2021. For details, please refer to note 1 to the List of top five customers for the year ended December 31, 2021 above.
- (3) Customer H Group is listed on the Main Board of the Stock Exchange principally engaged in telecommunications and information related businesses.
- (4) Customer I is a PRC incorporated company with a registered capital of RMB100 million. Its principal business includes advertisement consultation services, design, production and publication of advertisements in the PRC, cultural, entertainment and performance agency services, as well as radio and television program production and operation.
- (5) Customer D was also one of our five largest customers for the year ended December 31, 2021. For details, please refer to note 2 to the list of top five customers for the year ended December 31, 2021 above.

BUSINESS

As of the Latest Practicable Date, to the best knowledge of our Directors after the enquiry, none of our Directors or their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest customers during the Track Record Period.

Jesports (Beijing) is one of our distributors and during its ordinary course of business, it ordered our health management and skincare products in the new retail segment, which are primarily distributed through the Internet cafes and teahouse chains operated by Jesports (Beijing), its subsidiaries or within its franchise network. Save as Jesports (Beijing), Ms. Ma and Ms. Zhang which were our distributors, to the best knowledge, information and belief of our Directors, having made all reasonable enquiries, none of our Directors or their respective close associates or any Shareholders owning more than 5% of our issued Shares were, or had any interest in any of our distributors or the sub-distributors during the Track Record Period and up to the Latest Practicable Date. The aggregate revenue contribution from Jesports (Beijing), Ms. Ma and Ms. Zhang during the Track Record Period was less than 1% of our total revenue during each year. The respective revenue contribution from Jesports (Beijing), Ms. Ma and Ms. Zhang during the Track Record Period are set out as follows.

| | Year ended December 31, | | | |
|--------------------|--------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Jesports (Beijing) | – | 1,656 | 2,510 | 73 |
| Ms. Zhang | – | 39 | 32 | 128 |
| Ms. Ma | 8 | 37 | – | – |

For further details, please refer to Note 36(b) to the Accountant's Report in Appendix I to this prospectus.

SUPPLIERS

Currently, our suppliers primarily include selected third-party manufacturers for our new retail business and event planning and management for our IP creation and operation. We have developed a stable relationship with our key suppliers.

For our new retail business, our suppliers are selected third-party manufacturers in China. Our products are manufactured by selected third-party manufacturers in China that specialize in the manufacturing of skincare products or nutritional food. Our manufacturing supply chain is important to our growing business. We closely collaborate with a network of ODM and packaging supply partners to produce our products, such as Hengmei Group. For further details of our dealing with Hengmei Group, please refer to the paragraph headed "Suppliers – Selection and management of supplier – Our relationship with Hengmei Group" in this section below.

For our IP creation and operation business, our suppliers include selected event or program planning and management companies in China. Due to the business nature of the event or program planning and management, we will engage suppliers from time to time on ad hoc basis when we are engaged to provide media content, event planning and other designing and licensing of proprietary celebrity IPs.

BUSINESS

In each year during the Track Record Period, purchases from our top five suppliers accounted for approximately 75.1%, 73.3%, 58.3% and 47.9% of our total purchase, respectively, and the total purchase from our largest supplier accounted for approximately 26.9%, 48.1%, 31.2% and 23.2% of our total purchase amount in each year during the Track Record Period, respectively.

The following tables set forth the details of our five largest suppliers in each year during the Track Record Period:

For the year ended December 31, 2019

| Supplier | Products/services provided to us | Business segment | Place of business | Purchase | Approximate | Commencement of business relationship |
|---------------------------|--|---------------------------|-------------------|--------------|-------------------------|---------------------------------------|
| | | | | amount by us | % of our total purchase | |
| | | | | (RMB'000) | (%) | |
| Supplier A ⁽¹⁾ | Program planning and coordination | IP creation & operation | Xinjiang | 18,872 | 26.9 | 2018 |
| Hangzhou Hengmei | Manufacturer of MODONG coffee | New retail | Hangzhou | 13,887 | 19.8 | 2019 |
| Supplier B ⁽²⁾ | Manufacturer of other products | New retail | Beijing | 8,175 | 11.7 | 2018 |
| Archstone | Provision of planning service, participation and authorization of IP of celebrities at events and/or programs etc. | IP creation and operation | Taiwan | 6,985 | 10.0 | 2018 |
| Supplier C ⁽³⁾ | Production service | IP creation and operation | Shanghai | 4,779 | 6.8 | 2018 |

Notes:

- (1) Supplier A is a PRC incorporated company with a registered capital of RMB10 million. Its principal business includes business consultation, e-commerce, and organization of cultural and artistic exchange activities.
- (2) Supplier B is a PRC incorporated company with a registered capital of RMB155.1 million. Its principal business includes technological development, sales of food, daily necessities, and import and export of goods and technologies.
- (3) Supplier C is a PRC sole proprietorship* (“個人獨資企業”) with a registered capital of RMB10,000. Its principal business includes the planning and consultation of film and television drama, exchange and planning of film and television cultural and artistic activities, and technical development, technical services and technical consultation in the field of film and television culture.

BUSINESS

For the year ended December 31, 2020

| <u>Supplier</u> | <u>Products/services provided to us</u> | <u>Business segment</u> | <u>Place of business</u> | <u>Purchase amount by us</u> (RMB'000) | <u>Approximate % of our total purchase</u> (%) | <u>Commencement of business relationship</u> |
|--|--|---------------------------|--------------------------|---|---|--|
| Hangzhou Hengmei | Manufacturer of MODONG coffee | New retail | Hangzhou | 74,389 | 48.1 | 2019 |
| Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) ⁽¹⁾ | Manufacturer of health management products | New retail | Jiangsu | 15,863 | 10.3 | 2019 |
| Supplier D ⁽²⁾ | Program planning and coordination of <i>J-Style Trip</i> season one and Ningbo Superstar Performance Mega Night | IP creation and operation | Taiwan | 8,388 | 5.4 | 2018 |
| Archstone | Provision of planning service, participation and authorization of IP of celebrities at events and/or programs etc. | IP creation and operation | Taiwan | 7,600 | 4.9 | 2018 |
| Supplier E ⁽³⁾ | Manufacturer of beauty equipment | New retail | Beijing | 7,114 | 4.6 | 2018 |

Notes:

- (1) Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) is a PRC incorporated company listed on the New Third Board Market (OTC market in the PRC) with a registered capital of RMB10.7 million. Its principal business includes research and development, production and sales of health food.
- (2) Supplier D is a company incorporated in the British Virgin Islands which mainly engages in cultural and entertainment-related business.
- (3) Supplier E is a PRC incorporated company with a registered capital of RMB1 million. Its principal business includes organization of cultural and artistic exchanges and sales of daily necessities.

BUSINESS

For the year ended December 31, 2021

| <u>Supplier</u> | <u>Products/services provided to us</u> | <u>Business segment</u> | <u>Place of business</u> | <u>Purchase amount by us</u> <i>(RMB'000)</i> | <u>Approximate % of our total purchase</u> <i>(%)</i> | <u>Commencement of business relationship</u> |
|--|--|---------------------------|--------------------------|--|--|--|
| Hangzhou Hengmei ⁽¹⁾ | Manufacturer of MODONG coffee | New retail | Hangzhou | 47,121 | 31.2 | 2019 |
| Archstone | Provision of planning service, participation and authorization of IP of celebrities at events and/or programs etc. | IP creation and operation | Taiwan | 11,461 | 7.6 | 2018 |
| Supplier F ⁽²⁾ | Program planning and coordination of <i>J-Style Trip</i> season two | IP creation and operation | Taiwan | 10,759 | 7.1 | 2021 |
| Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) ⁽³⁾ | Manufacturer of health management products | New retail | Jiangsu | 9,895 | 6.6 | 2019 |
| Supplier D ⁽⁴⁾ | Program planning and coordination | IP creation and operation | Taiwan | 8,735 | 5.8 | 2018 |

Notes:

- (1) The purchase from Hangzhou Hengmei in the year ended December 31, 2021 includes purchases from both Hangzhou Hengmei and its wholly-owned subsidiary.
- (2) Supplier F is a Taiwan incorporated company with a share capital of New Taiwan Dollar 1 million. Its principal business includes entertainment-related business, artistic and cultural services, and advertisement services.
- (3) Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) was also one of our five largest suppliers for the year ended December 31, 2020. For details, please refer to note 1 of the table for the year ended December 31, 2020.
- (4) Supplier D was also one of our five largest suppliers for the year ended December 31, 2020. For details, please refer to note 2 of the table for the year ended December 31, 2020.

BUSINESS

For the year ended December 31, 2022

| Supplier | Products/services provided to us | Business segment | Place of business | Purchase | Approximate | Commencement of business relationship |
|---|--|---------------------------|-------------------|--------------|-------------------------|---------------------------------------|
| | | | | amount by us | % of our total purchase | |
| | | | | (RMB'000) | (%) | |
| Hangzhou Hengmei ⁽¹⁾ | Manufacturer of MODONG coffee | New retail | Hangzhou | 42,325 | 23.2 | 2019 |
| Supplier G ⁽²⁾ | Provision of stage and set design planning for our IP program | IP creation and operation | Taiwan | 18,434 | 10.1 | 2021 |
| Supplier F ⁽³⁾ | Program planning and coordination of <i>Yue Lai Yue Kuai Le</i> (樂來樂快樂) and <i>J-Style Trip</i> season two | IP creation and operation | Taiwan | 12,706 | 7.0 | 2021 |
| Archstone | Provision of planning service, participation and authorization of IP of celebrities at events and/or programs etc. | IP creation and operation | Taiwan | 7,051 | 3.9 | 2018 |
| Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) ⁽⁴⁾ | Manufacturer of health management products | New retail | Jiangsu | 6,712 | 3.7 | 2019 |

Notes:

- (1) The purchase from Hangzhou Hengmei in the year ended December 31, 2022 includes purchases from both Hangzhou Hengmei and its wholly-owned subsidiary.
- (2) Supplier G is a Taiwan incorporated company with its shares listed on the Taiwan Stock Exchange. Its principal business includes event-planning and the design and production of shows and stages.
- (3) Supplier F was also one of our five largest suppliers for the year ended December 31, 2021. For details, please refer to note 2 of the table for the year ended December 31, 2021.
- (4) Handian Biotechnology (Jiangsu) Inc.* (江蘇漢典生物科技股份有限公司) was also one of our five largest suppliers for the years ended December 31, 2020 and 2021. For details, please refer to note 1 of the list of top five suppliers for the year ended December 31, 2020.

BUSINESS

As of the Latest Practicable Date, save as Archstone, to the best knowledge of our Directors after due inquiry, none of our Directors or their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the Global Offering, had any interests in any of our five largest suppliers during the Track Record Period.

Selection and management of supplier

Generally, we select third-party suppliers based on a number of factors such as manufacturing capacity, source of raw materials, years of operation, reputation and compliance with the applicable laws and regulations. We periodically review the performance of our third-party suppliers and reserve alternative sources of supply in advance based on our product launch plans.

To protect our intellectual property rights from infringement, we primarily rely on our agreements with the third-party manufacturers to protect our intellectual property rights.

We from time to time enter into OEM cooperation framework agreements with OEM manufacturers in relation to the production of various products. The following summarizes the salient terms of such cooperation agreement.

Exclusivity. The supply or sales of the products with the same or similar formula and relevant intellectual property rights or packaging, and the use of the formula to produce or authorize any other third parties to produce and sell any products is exclusive to us.

Term. Two years, and shall be automatically renewed for one year upon expiration, unless we give three months' prior written notice to the relevant OEM manufacturers.

Intellectual property rights. We shall own the formula of the product and the rights to use the formula of the product exclusively. We shall own all other intellectual property rights of the products exclusively and without any limits.

In the event we engage OEM manufacturers to develop certain of our products, we may include an extra clause which the formula and relevant intellectual property rights developed by such manufacturers shall be owned by us.

Our relationship with Hengmei Group

During the Track Record Period and as of the Latest Practicable Date, we engaged Hangzhou Hengmei and its undertaking companies as the sole manufacturer of certain of our products, including our *MODONG* coffee, *MODONG* MCT coffee, *Dr. INYOU* collagen peptide beverage, matcha powder and *MODONG* lightly brewed coffee.

BUSINESS

Hengmei Group is a manufacturer of health products in China with a focus on weight management and nutritious diet management. It has the capacity of product research and development, production as well as health consultation. According to publicly available information, Hangzhou Hengmei has a registered capital of RMB38.4 million. To the best knowledge and information of the Company, Hengmei Group has more than 600 employees, of which 50 are professional research and development staff, and 92 are quality control staff as of June 30, 2022. Hengmei Group has developed more than 20 series of food products including a series of high-quality protein food bars, protein-based solid drinks and other products, and its customers include a number of industrial leading companies which focusing on health products. Hengmei Group is a Certified Supplier (認證供應商) by Société Générale de Surveillance in recognition of its site existence and business operation, and it has been certified as a High-tech Enterprise (高新技術企業) in December 2019. In addition, Hangzhou Hengmei is a member of the China Health Association (中國健康協會). To the best knowledge of our Directors, each member of Hengmei Group which we engage has obtained all the required permits and licenses for its business under the relevant PRC laws and regulations.

For the year ended December 31, 2019, 2020, 2021 and 2022, our purchases from Hengmei Group amounted to RMB13.9 million, RMB74.4 million, RMB47.1 million and RMB42.3 million, respectively. The fluctuation in our purchase from Hengmei Group during the Track Record Period was mainly due to the fluctuation in the sale of our products, particularly *MODONG* coffee, given that Hengmei Group is the only supplier of our *MODONG* coffee. In addition, our purchases from Hengmei Group may also be affected, to a lesser extent, by (i) the changes in the unit cost of *MODONG* coffee purchased from Hengmei Group, which was determined by the parties at the time of placing of orders with reference to the price of raw material; and (ii) our purchases of other products from Hangzhou Hengmei or its subsidiaries since 2021.

The following table sets out the quantity of the major product that we purchased from Hengmei Group for the year ended December 31, 2019, 2020, 2021 and 2022:

| | Year ended December 31, | | | |
|---------------------------------|-------------------------|-------|-------|-------|
| | 2019 | 2020 | 2021 | 2022 |
| <i>MODONG</i> coffee (boxes) | | | | |
| (in thousand) ^(Note) | 641 | 3,393 | 2,156 | 1,440 |
| Trial sample of <i>MODONG</i> | | | | |
| coffee (bags) | 628 | 3,544 | 2,326 | 1,500 |

Note: Each box of *MODONG* coffee contains seven bags.

BUSINESS

Hengmei Group was one of our five largest suppliers in each year during the Track Record Period. Based on our Directors' knowledge and belief, after make all reasonable queries, we are only one of Hengmei Group's customers among its diversified customer base and our transactions are not significant to Hengmei Group's business or financial position.

To the best of our Directors' knowledge and belief, apart from the supplier-customer relationship, there is no any other past or present relationships (including, without limited to, business, family, trust, employment, shareholding, financing or otherwise) between our Group and Hangzhou Hengmei, as well as Hangzhou Hengmei's directors, equity holders, senior management, and their respective associates.

We did not experience a shortage or delay in the supply of raw materials which had imposed a material impact on us during the Track Record Period. During the Track Record Period, we did not experience any major fluctuations of raw material prices.

Salient terms of our cooperation with Hangzhou Hengmei

On May 26, 2021, we entered into a new five-year cooperation framework agreement with Hangzhou Hengmei in relation to our *MODONG* coffee. The salient terms of the cooperation framework agreement are as follow:

Exclusivity. The supply or sales (including supply or sale without authorization) of *MODONG* coffee or other products with the same or similar formula and relevant intellectual property rights or packaging of *MODONG* coffee, and the use of the formula of *MODONG* coffee to produce or authorize any other third parties to produce and sell any products is exclusive to our Company.

Term. Five years, and shall be automatically renewed for one year upon expiration, unless we give three months' prior written notice to Hangzhou Hengmei.

Intellectual property rights. We shall own the rights to use the formula of *MODONG* coffee exclusively, including but not limited to the right to use certain ingredients in the formula of *MODONG* coffee. We shall own all the other intellectual property rights of the entrusted products (excluding the formula of our *MODONG* coffee) exclusively and without any limits.

Supervision. We are entitled to check and inspect Hangzhou Hengmei's factories and quality control system. For failures identified and quality improvement recommendations proposed by us, Hangzhou Hengmei shall formulate improvement measures within the period requested by us.

Inspection. We are entitled to inspect the products. If any products do not satisfy the standards as agreed by the parties, we are entitled to refuse to accept them.

BUSINESS

We also entered into an ODM agreement with Hangzhou Hengmei on May 26, 2021, pursuant to which we shall provide technical elements such as development ideas and concepts and nutritional requirements for *MODONG* coffee and entrust Hangzhou Hengmei to carry out research and development and the manufacturing of *MODONG* coffee. Hangzhou Hengmei is not entitled to disclose the formula, manufacturing process, suppliers of ingredients or specification of our *MODONG* coffee and the relevant IP exclusively, which enables us to subcontract any other third party to manufacture *MODONG* coffee when we deem necessary.

We entered into cooperation agreements with Hengmei Group from time to time for manufacturing of our products, such as *MODONG* MCT coffee, *Dr. INYOU* collagen peptide beverage etc., during the Track Record Period. The salient terms of these cooperation framework agreements are similar to those of the cooperation framework agreement therewith in relation to *MODONG* coffee. Certain terms, such as ownership of the formula and relevant IP rights of these products may vary, depending on the terms of the relevant agreements.

We co-developed the formulae of these products, including *MODONG* coffee, with Hengmei Group and consider such formulae to be a piece of sensitive and confidential information. We consider engaging only one supplier for the production of such products to be appropriate to minimize the risk of leakage of confidential formulae and inconsistent quality of our products in order to maintain our competitive advantages. Having considered that we have had a good relationship with Hengmei Group and we believe Hengmei Group is a sizable and reputable health products manufacturer based of its abovementioned certifications, Hengmei Group is currently our sole supplier of these products, including *MODONG* coffee.

As there are several health products manufacturers in China which have similar qualifications and capabilities, we believe that, in the event that Hengmei Group ceases to cooperate with us and terminates the contract, we would be able to locate readily available alternative supplier(s) and change suppliers(s) without incurring significant cost or experience material delay on product supply as (i) we have maintained a sufficient amount of these products, (ii) our distributors are required to make prepayments for the products ordered by them and/or sub-distributors developed by them through the Ordering System which we would able to monitor whether there is sufficient amount of these products to be delivered, and in the event we identify there is insufficient inventory, it would be identified at an early stage and we would have time to resolve the matter, and (iii) we entered into framework agreements with alternative suppliers which would be able to produce these products at a quality level required by us, when necessary.

We are also in possession of all the relevant licenses necessary to carry on and operate our business and we have sufficient workforce and possess our own formulae to operate and produce our products, including *MODONG* coffee, independently. For more details, please refer to the section headed “Risk factors – Risks relating to our business and industry – Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee” in this prospectus.

BUSINESS

Overlapping of major supplier and customer

During the Track Record Period, one of our top five customers from the IP creation and operation segment were also our supplier.

Customer G

During the year ended December 31, 2022, our largest customer (i.e. Customer G or the MCN Company) was also one of our suppliers during the financial period. Customer G is a reputable multi-channel network company in the PRC. Since late 2021, we have cooperated with Customer G in the event planning and IP program associated with Mr. Liu Keng-hung under our IP creation and operation segment and our Group, Customer G and Mr. Liu Keng-hung (and his artiste management company) shall be entitled to certain percentage of the fees from brand owners who engaged Mr. Liu Keng-hung to promote their products or services. Customer G is treated as our customer when it enters into cooperation agreement with the brand owners and is responsible for collecting the fees from the brand owner(s) and transferring to us our share of the relevant fees. For the year ended December 31, 2022, our revenue derived from Customer G amounted to RMB28.6 million.

On the other hand, during the year ended December 31, 2022, we planned and developed a IP program, namely, 618 streaming session (618主播請就位), which was broadcasted on *Douyin* and involving Mr. Liu Keng-hung as one of the performers. Pursuant to the cooperation agreement entered into between Customer G and Talent Planet, we shall pay to Customer G their share of the fees in relation to Mr. Liu Keng-hung's performance in the program. Accordingly, Customer G was treated as our supplier for the production of such IP program. During the year ended December 31, 2022, our purchases from Customer G amounted to RMB1.7 million.

SEASONALITY

We experience seasonality in our business, in particular for our new retail segment. Our results of operations for our new retail segment are affected by our promotional and marketing activities, which may be subject to different shopping festivals during the year. For example, we may record higher sales volume of our products during 618 campaign in second quarter and/or Double 11 and Double 12 campaigns in fourth quarter during each year. Overall, the impact of seasonality of our business has been relatively mild due to our diversified new retail product portfolio and IP offerings to compensate the seasonality effect, and our rapid growth. The seasonable trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. For further information, please refer to the section headed "Risk factors – Risks relating to our business and industry – Our business operations may be subject to seasonality." in this prospectus.

CONNECTED TRANSACTIONS

We from time to time enter into various one off or continuing transactions with our connected persons during our ordinary course of business.

BUSINESS

For the IP creation and operation segment, we had and will continue to enter into transactions with our connected persons, including JVR Music (Mr. Jay Chou's artiste management company) and Archstone (Mr. Jay Chou's representative for business negotiations in respect of one off or project based engagement) for the provision of various services and the sharing of *ChouMate* related licensing fees, the licensing of *ChouMate* and the sales of *ChouMate* related products at their outlets. For the new retail segment, we had and will continue to enter into distribution and other retail arrangements with our connected persons, including Jesports (Beijing) which was distributing certain of our products. For details, please refer to the section headed "Financial information – Related party transactions and balances" of this prospectus.

After the Track Record Period and before our Listing, we may enter into various transactions with our connected persons, including but not limited to those stated in this section and in the section headed "Summary – Recent developments" of this prospectus or transactions arising from the IP Authorization Agreement, which may constitute connected transactions of our Company if they were entered into upon our Listing. We will ensure ongoing compliance with the applicable Listing Rules requirements (especially the requirements under Chapters 14 and 14A of the Listing Rules) upon Listing.

MARKETING INITIATIVES

We adopt multi-faceted marketing strategy. Our marketing strategies focus on our ability to procure consumers through KOC promotion, in particular through private domain traffic, or PDT, which is further empowered by celebrity participation through other complementary venues and channels, such as TV programs and large-scale concerts. PDT refers to private-controlled net traffic flow through private channel such as WeChat and Weibo, where users with similar interests or buying habits participate in group chat. PDT can often be enhanced if a private channel is owned by or features a KOL or KOC. Apart from marketing our products through word-of-mouth through KOL or KOC promotion, we also devote significant efforts and invest much capital in a wide variety of sales and marketing activities. We believe our IP-based marketing boosts our product exposure and enables us to build our brand image through multi-dimensional marketing campaigns. When considering which combination of marketing and promotion methods should be used for a particular product, we will consider different factors, among others, its target end consumer base, how common is such product in the market, whether we will launch relatable IP(s) shortly before or after the launch of such product to create a synergy effect.

KOL/KOC marketing initiatives

KOL is a type of traditional influencers who are popular persons followed by the public audience, while KOC is a new type of influencers in China, who procure content viewers and account followers by testing products, sharing user experience, giving reviews and recommending products based on their recognition of the products' quality and effects through their own PDT. Young people in China are more willing to share their personal life and shopping experiences online, and their purchasing decisions are more prone to be influenced by KOLs, KOCs, communities and social networks, which provides huge growth potential of the social e-commerce industries. KOLs and KOCs can act as influencers, whose opinions are consumed by an interested group or community and can attract loyal followers for brands which they recommend. These influencers can have impact on the decision-making process of the potential end consumers through their experience as first-hand end consumers.

The marketing strategy of market participants will evolve from marketing through personal acquaintances to marketing through communities, KOCs and KOLs. Marketing through personal relationship has only limited range of consumers, as acquaintances might not have similar interests in specific products or services. Communities, KOCs and KOLs can match those who have similar demands and provide an efficient approach for online stores to reach a huge amount of target consumers. An integrated full-serviced social e-commerce enables influencers and distributors to easily navigate, share, create content and interact with consumers, providing enjoyable on-purchase and after-sale services and familiarizing consumers with the product information and true user experience. Therefore, more products and services are expected to be promoted through communities, KOCs and KOLs in the future.

Our marketing strategies focus on KOLs and KOCs, and PDT marketing channels. Many of our distributors and sub-distributors are KOCs that are active in particular social communities and have their own social media accounts to promote our products, providing trainings to end consumers and conducting other related sales activities. Marketing efforts by KOC distributors are complementary to our own sales and marketing efforts, such as product placement and advertisement in TV program and large scale concerts.

Kunshan Tingshe, our Distribution Agent for Kunshan Tingshe Distributed Products, offers free trainings to our distributors or sub-distributors mainly on sales and marketing techniques regarding sales of our products to help them to become KOCs, which include: (i) product trials and experiences sharing; (ii) continuous instructions conducted by KOC distributors based on their personal experiences; and (iii) series of short-term and intensive tutorials such as Seven-day Creation Camp (七日創造營), for KOCs to enhance their influence through integrated resources and professional support. We assist Kunshan Tingshe to host training sessions for distributors regularly. Through supporting and cultivating distributors in their effort to become KOCs, we and Kunshan Tingshe also assist our KOCs to promote our brand and products through targeted professional trainings which mainly focus on our brand and features of our products. As a result, we believe we are able to communicate focused messages to our potential end consumers in a more effective and economical way. For more details on our distributors' training system and program, please refer to the paragraph headed "Distribution network – Distribution Agent Assisted Distribution Model – Management of our distribution network – (II) Market-oriented training programs" in this section.

Promotion and marketing activities

To maintain market recognition of our brands, and to avoid losing resonance in our brands' target market, we gather feedback from consumers and conduct analysis on the sales of products. We also observe the latest market trend, previous sales performance, market demand as well as advertisements of new products developed by our competitors on a regular basis for ideas for selecting new products for development.

In addition, we also formulate marketing strategies and promotes our brand awareness and products through, among others, TV advertisements/sponsorships, providing trial samples and packaged gifts, hosting various events, conferences and meetings and placing advertisements, to expand our consumer base. One of our major promotion and marketing activities is our annual event. We organized our annual event in Ningbo and Ocean Flower Island in January 2020 and April 2021, respectively, which aimed to foster brand loyalty amongst our distributors and sub-distributors and motivating them to further their sale performance and serve as a marketing tool to enhance our brand awareness. During our annual events, we may announce our future plan, introduce our new products, offer sales promotion of our products as well as invite different performers to perform. We also provide customer services through our *MODONG* Health App where we offer users a *MODONG* coffee low-carb diet plan.

IP-empowered marketing

We established an IP-empowered marketing strategy in which we promote our products in association with our proprietary celebrity unique IPs and associated IP contents. We believe such association facilitates our efforts to introduce new products to end consumers who may be more familiar with the IP but have not previously purchased our products, and allows us to generate engagement from our existing consumer base. One of our successful products, *ChouMate* Edition of *MODONG* coffee, is a product marketed in association with *ChouMate*.

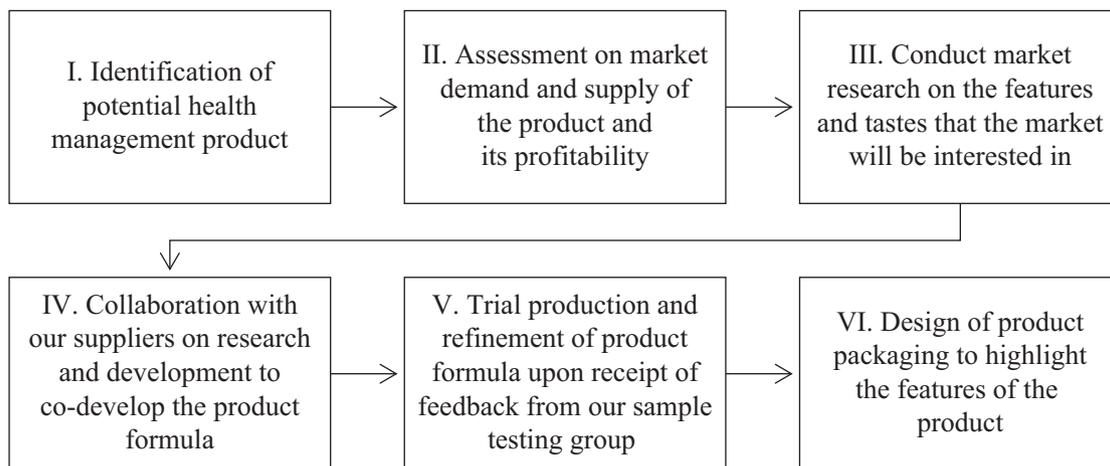
In addition, unique celebrity IPs with a vast fan base may be an incentive for our end consumers, KOLs or KOCs to try our products and share their reviews on social media platforms. By creating our own IPs, we may boost our influencers' marketing capabilities at the same time.

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PRODUCT RESEARCH AND DEVELOPMENT

We believe that product research and development is crucial to our success and sustainable growth. We are continuously developing new products for our new retail business to enhance and diversify our product offerings. Our product development department would conduct market research to identify any particular demands in the market towards health management products and skincare products.

The following illustrate the major steps we will go through for research and development with respect to our health management products as an example:



During the Track Record Period, we mainly collaborated with external institutions for the research and development of our products. We normally engage independent OEM manufacturers in the PRC to co-develop the formula of the potential products by modifying and refining the existing formula to fulfill all our requirements. The OEM manufacturers we engaged are all established in the PRC and mainly engaged in the manufacturing and sales of food products and/or beverages, for the supply of these products. For example, during the Track Record Period, we engaged Hengmei Group for the co-development of various products, including (without limitation) *MODONG* coffee and matcha powder based on the development ideas, concepts and nutritional requirements provided by us. For details of salient terms of cooperation agreement with OEM manufacturers, please refer to the paragraph headed “Suppliers – Selection and management of supplier” in this section above.

During the Track Record Period, the research and development costs incurred by us mainly comprised salaries and benefits paid to our internal research and development team, which was insignificant to our general and administrative expenses. Such costs amounted to approximately RMB2.6 million, RMB9.2 million and RMB12.6 million for the year ended December 31, 2020, 2021 and 2022, respectively. As at December 31, 2022. Our product development team has eight employees.

Please also see to the paragraph headed “Our strategies and future plans – Further diversify our product portfolio through product development” in this section.

LOGISTICS AND INVENTORY MANAGEMENT

As of the Latest Practicable Date, we engaged three warehousing services providers primarily to provide inventory management, meet our storage needs and ensure the delivery of our products to the end consumers or distributors efficiently and economically.

We co-operate with third-party logistics service providers to collect our products from warehouses and deliver them to our retail points. As of the Latest Practicable Date, we had one warehousing and delivery service provider and several logistics service providers. Our transportation arrangements with third-party logistics service providers enable us to maintain a low level of capital investment in developing and maintaining an in-house logistics system. We select logistics service providers based on their reputation, logistic network and financial resources.

Inventory management

During the Track Record Period, all of our inventories were raw and packaging materials and finished products. We need to maintain a sufficient amount of inventories in our warehouses to satisfy the demands of our sales and distribution channels, and to support our expansion plan. On March 26, 2020, we entered into an inventory management agreement with Hangzhou Hengmei, the manufacturer of our *MODONG* coffee, which provides that Hangzhou Hengmei shall stock up raw materials and ingredients for the annual production of 3.5 million boxes of *MODONG* coffee in order to avoid any disruption to Hangzhou Hengmei's production process which may be caused by the COVID-19 pandemic. Such agreement has been renewed on April 8, 2022, pursuant to which Hangzhou Hengmei shall stock up raw materials and ingredients for 350,000 boxes of *MODONG* coffee. As of the Latest Practicable Date, the inventory management agreement remained effective.

As of December 31, 2019, 2020, 2021 and 2022, the balance of inventories amounted to RMB15.5 million, RMB24.1 million, RMB24.5 million and RMB28.8 million, respectively, representing 8.7%, 9.3%, 6.9% and 6.9% of our total current assets, respectively. Our average number of inventory turnover days for 2019, 2020, 2021 and 2022 were 180 days, 76 days, 128 days and 149 days, respectively.

To promote a healthy financial model and improve the cash flow of our distributors so as to develop a sustainable distribution network, we have been monitoring the inventory levels based on the inventory records provided by our distributors and sub-distributors. We have established policies with regard to inventory management, such as a labeling system with traceable QR code for each package of our product to trace the delivery status distributable by us. In addition, upon the completion of stocking, the warehouse keeper shall promptly contact the procurement personnel to input the relevant information into the inventory management system, and the inventories shall be inspected on a monthly basis and a written inspection table shall be generated and jointly signed by the personnel who in charge of the inspection. Moreover, we have also put in place a security system to protect and prevent our inventory from theft, embezzlement and damages.

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We believe the above-mentioned initiatives could reduce the exposure of our distributors to financial and operational risks and hence promote a healthy distribution network.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

There had been an outbreak of the new coronavirus (COVID-19), which had quickly spread around the globe since late 2019. During the year ended December 31, 2020, we recorded a gross loss in our IP creation and operation business primarily because of the cancellation of a number of sponsorships for *J-Style Trip* season one due to the uncertainty of the effect of the COVID-19 pandemic. The pandemic and the related control measures imposed by the local government also affected the schedule of events and/or production of IP programs, which in turn affect our revenue from the IP creation and operation business.

Since late 2021, there had been another wave of outbreak of the COVID-19 pandemic, including the highly transmissible Omicron variant, in various districts in the PRC which had subsequently developed into a large-scale outbreak during the first half of 2022. In response to the Resurgence, local governments in PRC have imposed various restrictions on business and social activities, including stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations. Many regions in the PRC imposed different scale of traveling restrictions. Particularly, a large-scale regional static management control measure (全域靜態管理) had been imposed in Shanghai, being one of the most large-scaled control measures imposed since the COVID-19 pandemic. The control measures posed great challenge to the PRC economy during the first half of 2022. In April 2022, both Manufacturing Purchasing Managers' Index and Synthesized Purchasing Managers' Index had reached the lowest record since March 2020. In the first half of 2022, the bulletproof drink market in the PRC recorded a year-on-year decline of approximately 46.2% as compared to the corresponding period in 2021.

The Resurgence also presented further challenges to our business and financial performances during the year ended December 31, 2022, as a substantial part of our operations are located in the Yangtze River Delta area which was severely affected by the Resurgence. We recorded a decrease in our revenue of RMB21.1 million from RMB365.3 million for the year ended December 31, 2021 to RMB344.2 million for the year ended December 31, 2022, representing a decrease of approximately 5.8%. Such decrease was mainly attributable to the decrease in our revenue from our new retail business, which had recorded a decrease of 20.3% from RMB301.4 million for the year ended December 31, 2021 to RMB240.1 million for the year ended December 31, 2022. Particularly, our business and operations had been negatively affected by (i) the disruptions to the operation of our logistics and delivery service providers which had materially affected the delivery of our products to the distributors, sub-distributors or end consumers; (ii) consumer demand was affected due to the overall worsening of the PRC economy; (iii) the production of our products has been disrupted as raw materials were unable to be delivered to our suppliers; (iv) travel restrictions and social distancing requirements imposed by the local government which had prohibited Kunshan Tingshe and our distributors from organizing offline promotion activities; and (v) the delays in the production and/or broadcasting schedule of our IP programs, which have been used by us as one of the sales and marketing

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means for our new retail products, due to travel restrictions which had in turn affected our revenue from the IP creation and operation segment. Set forth below are the details of the original time of and revised estimated time of the broadcasting/launching schedule of our major IP programs as a result of the outbreak of the COVID-19:

| Our IP programs | Original time of broadcasting/ launching | Estimated time of broadcasting/ launching as at the Latest Practicable Date |
|---|---|--|
| <i>Yue Lai Yue Kuai Le</i> (樂來樂快樂) | Fourth quarter of 2021 | Second half of 2023 |
| <i>J-Style Trip</i> season two | During 2022 | Second half of 2023 |
| A fitness-related performance events featuring Mr. Liu Keng-hung, Ms. Vivi Wang and other celebrities | Fourth quarter of 2022 | Middle of 2023 |

In view of the adverse impacts of the COVID-19 outbreak on the distribution of our products through PDT which require substantial supports through offline marketing and promotion activities, we have been expanding the distribution channels for our products. We started to sell our products through various e-commerce platforms, including our *Kuaishou* stores (which was opened in January 2021) and *Tmall* stores (which was opened in November 2020). Our sale through other e-commerce channels increased from RMB2.8 million for the year ended December 2020 to RMB9.7 million for the year ended December 31, 2021. Since December 2021, we have further expanded our distribution channels to E-commerce Livestreaming sessions on *Douyin*, which is directly linked to our *Douyin* stores and conduct marketing and promotion activities through, among other things, product placement in Livestreaming sessions of Mr. Liu Keng-hung on *Douyin*. Since July 2022, we have commenced increasing in the frequency in the organization of E-commerce Livestreaming sessions to two to four E-commerce Livestreaming sessions each month in general in collaboration with Ms. Vivi Wang and other KOLs to promote the sale of our new products. We are of the view that the expansion of our distribution channels would effectively enhance (i) our ability to conduct online marketing activities for the promotion of our products; and (ii) our geographical presence across different regions in the PRC, which in turn diversify our risks in respect of regional outbreak of the pandemic.

With the pandemic being more contained in 2022, there was lift of large-scale restrictive measures. Since 2023, large scale activities and events have gradually resumed in the PRC. With relaxation of restrictions in the PRC, it is expected that the consumer spending and demand in healthcare and skincare products would return to normal in the near future. We were involved in the planning of a fitness-related performance event featuring Mr. Liu Keng-hung, Ms. Vivi Wang and other celebrities held in Qingdao on May 20, 2023. As at the Latest Practicable Date, we

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were also planning similar events to be held in various cities in the PRC, including Haikou, Beijing and Sanya in 2023. Our Directors are of the view that the impact of the outbreak of COVID-19 is temporary in nature and the pandemic is not expected to have a material adverse impact on our Group going forward.

We will continue to monitor the development of the pandemic and actively take measures to mitigate potential negative impacts on our business. Nevertheless, the COVID-19 pandemic remains an evolving situation, and there remain uncertainties as to the future development of the pandemic, which is beyond our control. If there are further waves of large-scale outbreaks of the pandemic in the PRC, there may be further suspension of the services provided by our delivery service providers. The pandemic may also continue to affect the overall economy and demand for our products. In such circumstances, our operations and financial performance maybe adversely affected. Please also see to the section headed “Risk factors – Risk relating to our business and industry – Our financial condition and results of operations may be materially and adversely affected by the outbreak of COVID-19 pandemic” in this prospectus.

QUALITY CONTROL

We believe that our commitment to product quality and safety is vital to our success. We place strong emphasis on product quality and safety by implementing a comprehensive quality control system in order to maintain our competitive edge, including the New Product Development Procedures (《新產品及助銷品開發流程》), the Procurement Management Rules (《採購管理制度》), the OEM Supervision Rules (《委外代工監督規範》) and the System Customer Service Guidelines (《客戶服務規範》). Although we do not conduct the day-to-day manufacturing of our products, we conduct inspection on our third-party manufacturers to ensure they are in compliance with the product safety compliance standards in China. We take great care to ensure that our third-party manufacturers share our commitment to quality and ethics.

We cooperate with Société Générale de Surveillance, an international quality inspection company to ensure that our products meet the applicable quality standards. Generally, our manufacturers reserve sample products for our products for inspection and issue reports on the results of inspection. In addition, we may conduct on-site ad hoc inspection on our manufacturers to check whether the raw materials used are in compliance with the relevant laws, regulations and standards, and to monitor the manufacturing processes and ensure compliance with our quality control procedures. For details, please refer to the section headed “Risk factors – Risks relating to our business and industry – We outsource our product manufacturing to third-party manufacturers. The limited control that we have over the process may present risks to our business, and any failure in the product quality control could adversely affect our reputation, business prospects and results of operations” in this prospectus. To the best knowledge of our Company, all of our third-party manufacturers obtained the requisite licenses and complied with our internal standards during the Track Record Period and as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material incidences in the course of our sales operation nor were there any material claims for personal or property damages or compensation arising from our sales of

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products. Further, our supply contracts with our suppliers usually provide that product liability in respect of any product supplied to us will be borne by the suppliers. We did not suffer from any product liability claims which were, individually or on an aggregate basis, material during the Track Record Period. To enhance customers' satisfaction on our products, we have hotlines and WeChat accounts for handling inquiries or complaints from our distributors, the sub-distributors and end consumers. For details, please refer to the section headed "Risk factors – Risks relating to our business and industry – Product quality is crucial to our business. Failure to maintain the quality, safety and effectiveness of the products could harm our reputation, adversely affect our financial condition and results of operations" in this prospectus.

AWARDS

As of the Latest Practicable Date, we attained the following awards in recognition of our products:

| <u>Certificates/Description</u> | <u>Awarding organization</u> | <u>Year of grant</u> |
|---|---|----------------------|
| Annual Popular Bulletproof Coffee Award (年度暢銷防彈咖啡) | Rayli Fashion List (瑞麗潮流大番榜) | 2020 |
| Excellent Quality Bulletproof Coffee (品質卓越防彈咖啡) | OnlyLady Beauty Award (OnlyLady美容天后大賞) | 2020 |
| Popularity Award (人氣口碑獎) | PCLADY Beauty Award (太平洋時尚網美容風雲榜) | 2019 |

INTELLECTUAL PROPERTY

Intellectual property is fundamental and crucial to our success, and it enables us to maintain our competitive position in the rapidly evolving market. Our IP creation and operation capabilities empower us to create, develop and own IP contents, in particularly those in association with our unique celebrity IPs. For details, please refer to the paragraph headed "– Our business – IP creation and operation" in this section. We rely on trademark, copyright and patent law, confidential contractual arrangements, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, our Group registered 1,160 trademarks and 155 copyrights in the PRC (including software copyrights in the PRC), and we were also applying and undergoing the registrations of other intellectual property rights. For details, please refer to the section headed "Statutory and general information – B. Further information about our business – 2. Intellectual property rights of the Group" in Appendix V to this prospectus. We believe our copyrights, trademarks and domain names are unique and valuable assets that support our brand and help to elevate public's perception of our products. Based on the advice of our PRC Legal Advisors and to our best knowledge and belief, there is no material impediment in renewing the registration of

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our trademarks or domain names upon their expiry as long as we comply with the relevant legal requirements and take all necessary steps and submit the relevant applications in accordance with the requirements prescribed by the applicable PRC laws and regulations.

In order to better protect our intellectual property rights from third-party infringements, we have implemented various measures and strictly followed the relevant internal protocols and complied with the corresponding laws and regulations. We regularly detect the malicious registrations of our intellectual properties by third parties, counterfeit products and contents on e-commerce platforms, and any other forms of infringements of our intellectual properties. Since our intellectual properties may be maliciously registered by the third parties, we timely register our intellectual properties with the competent governmental authorities. We actively respond to any infringements by warnings, notices, administrative claims and sometimes escalate to litigations.

Additionally, for our proprietary IPs, our in-house design team carefully examines the originality of our new products with the assistance of our in-house legal team. Our in-house legal team is also responsible for the registration, consulting and other business or legal support of our intellectual property related affairs.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings of intellectual property rights with other third parties. To the best knowledge of our Directors, they are not aware of any potential or threatened litigations and claims in relation to any intellectual property infringement that was material during the Track Record Period and up to the Latest Practicable Date.

COUNTERFEIT PRODUCTS

We are aware that certain counterfeit products bearing our brand exist in the market. Please refer to the section headed “Risk factors – Risks relating to our business and industry – Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market” in this prospectus for further details.

We have adopted a number of internal control measures to prevent counterfeit products and infringement of our intellectual property rights, including internal policies setting out procedures of how to handle counterfeit products and infringement incidents, our cooperation with professional anti-counterfeit product organizations and law firms specializing in intellectual property laws (“**IP Professionals**”). We have included confidentiality provisions in the agreements with our employees, distributors and OEM suppliers.

We operate a flagship store on *Tmall*. Apart from its primary function to launch our new products and attract new fans, it also serves as an official e-commerce channel for sales of our products.

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Apart from delegating our business partners, such as distributors, to monitor infringement activities, we have a dedicated team responsible for overseeing the implementation of our internal control measures related to counterfeit products and infringement of our intellectual property rights, coordinating with external IP Professional to resolve the disputes related to counterfeit products and protect our legal rights as well as engaging in any potential legal proceedings related to counterfeit products. IP Professionals are responsible for identifying any possible infringement activities in the market from time to time. In addition, we encourage our distributors and sub-distributors, which form an extensive distribution network comprising more than 15,000 distributors/sub-distributors in aggregate, who are also stakeholders of our products, to monitor and report to us any infringement activities in the market.

When we, through notification from IP Professionals and distributors/sub-distributors or by ourselves, become aware of the possible infringement activity(ies), the authenticity of the product in subject would be verified by us. If the product in subject is confirmed to be a counterfeit product, we, through our business partner (in case such IP Professional is engaged by our business partner), we may collect evidence on the mainstream e-commerce platforms such as Taobao, Pinduoduo and JD.COM and notarize the infringement facts. We also communicate with these platforms and ask for the removal of the relevant counterfeit products.

Where appropriate, we inform and cooperate with the relevant authorities, including the Administration for Market Regulation and the police, of the existence of such counterfeit products and request appropriate actions to be taken, including confiscation of the counterfeit products, imposition of fines and commencement of proceedings against the counterfeiting party. We will continue to take appropriate actions to defend our intellectual property and our products against potential infringements. During the Track Record Period and up to the Latest Practicable Date, there was no material adverse effect by counterfeit products on our business, financial condition or results of operations.

Based on the monitoring activities carried out by our Group's legal and compliance department and external IP-protection company since December 2020, over 1,200 online stores had been identified on major e-commerce platforms which distributed counterfeit version of our products, and some of these products were widely distributed. We reported certain stores with serious infringement activities to the local AMRs and brought approximately 62 lawsuits against them (including their suppliers) as of December 31, 2022, (i) 15 of which were settled between us and the relevant defendants, with approximately RMB1.7 million of damages being agreed to be payable to us; (ii) 18 of which were ruled in favor of us, with approximately RMB1.8 million of damages being held to be payable to us; (iii) three of which were withdrawn by us; and (iv) the remaining remained ongoing. Notwithstanding the insignificant amount of damages being claimed by us in the above lawsuits, we believe our continuous measures to prevent counterfeit products and infringement are necessary as such measures are important to us for (i) protecting and safeguarding our brand reputation; and (ii) reducing the business threat of counterfeit products so that loss of sales of our new retail products will be minimized as consumers are not able to purchase counterfeit products at a lower price in general. In addition to protecting our intellectual properties, our enforcement actions also provide us valuable information on potential demand of our products and insight into how to reach out to potential consumers.

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EMPLOYEES

We had a total of 68, 150, 190 and 250 employees as of December 31, 2019, 2020, 2021 and 2022, respectively. Substantially all of our employees are based in the PRC. The following table sets forth a breakdown of our employees as at December 31, 2022 by functions:

| | <u>Number of employees</u> |
|--------------------------------------|--------------------------------|
| New retail operations | 98 |
| IT operations and maintenance | 31 |
| IP content creation | 17 |
| IP licensing | 20 |
| Finance | 9 |
| Design | 11 |
| Product development | 8 |
| Human resources and administration | 14 |
| Legal and compliance | 7 |
| Risk management and internal control | 3 |
| Strategic management and financing | 4 |
| President office | 7 |
| Group branding | 9 |
| Talent Planet-related affairs | <u>12</u> |
| Total | <u>250</u> |

Our success depends on our ability to attract, retain and motivate qualified personnel. We have invested significant resources in the recruiting of the suitable candidates for our Company and we primarily recruit our employees through online channels and social networking platforms. Further, we provide internal training program, which covers topics on our business operations, corporate culture, products and the industry trends etc., which we believe will allow our employees to envision their career paths and growth potential with us.

As required by the laws and regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan, a maternity insurance plan, and a housing provident fund. We are required under the PRC laws to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

We enter into standard employment contracts and standard confidentiality agreements with our permanent employees.

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We did not establish a labor union. We are of the view that we maintain a good and friendly working relationship with all our employees, and we have not experienced any material labor disputes or any difficulties in recruiting employees for our business operations during the Track Record Period.

We have implemented the new product development procedures to manage product design and development activities. Our product development team is focused on developing new products, including both health management products and skincare products as well as expanding the formats of our existing products. After Listing, we plan to strengthen our capabilities for the research and development of new products by expanding our in-house team as well as cooperating with research institutes.

INSURANCE

As of the Latest Practicable Date, we maintained various insurance policies to safeguard against risks and unexpected events. We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by the PRC laws and regulations and in accordance with the commercial practices in our industry. We have purchased property insurance covering our fixed assets such as equipment, furniture and office facilities. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees.

In line with the general market practice in the PRC, we do not maintain business interruption insurance or key-man life insurance. We do not have insurance related to the COVID-19 pandemic either. For details, please refer to the section headed “Risk factors – Risks relating to our business and industry – We have limited business insurance coverage which could expose us to significant costs and business disruptions” in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we did not make any material claims on any insurance policies maintained by us.

PROPERTIES

Owned properties

In December 2020, we entered into sale & purchase contracts with Kunshan Jiabao, an Independent Third Party real property developer, to purchase 69 units in a commercial complex under construction in Kunshan, Jiangsu Province, with an aggregate gross floor area of 3,507.63 sq.m. at a consideration of RMB53.5 million, which will be used as staff quarters. As at the Latest Practicable Date, we obtained the title certificates and the corresponding land use right certificates of these 69 units. As at the Latest Practicable Date, each of these 69 units were subject to mortgages. As advised by our PRC Legal Advisors, apart from the mortgages, we have full legal ownership to the said units.

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The consideration was agreed after arm's length negotiation between the parties with reference to the price list published by Kunshan Jiabao, and was funded by a mortgage loan from an Independent Third Party financial institution.

We entered into a preliminary agreement in February 2021, and sale and purchase agreements subsequently in August 2021, with Kunshan Jiabao to purchase another 48 units in the same complex in Kunshan, Jiangsu Province, with an aggregate gross floor area of 3,166.26 sq.m. at a consideration of RMB50.0 million, which will be used as office premises. As at the Latest Practicable Date, we had not obtained the title certificates and the corresponding land use right certificates of the aforesaid 48 units as construction work had just finished and we were in the process of making the relevant completion filing.

The consideration was agreed after arm's length negotiation between the parties with reference to the price list published by Kunshan Jiabao. As of the Latest Practicable Date, we settled the consideration to Kunshan Jiabao.

For details, please refer to the section headed "Financial information – Related party transactions and balances – Balances with related parties – Non-trade in nature – Prepayment for purchase of staff quarters" of this prospectus. All of the above properties are or will be used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As our business operations continue to grow, we will need more staff quarters and office premises to accommodate our expanding team of staff. After searching for possible sites, we believe the above properties are suitable venue for such purpose as the area in which the properties located will become a developed residential and commercial area.

Except for the property interests described in the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our Group has no other owned single property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01B(2)(b) of the Listing Rules. For details, please refer to the property valuation report in Appendix III to this prospectus. As advised by our PRC Legal Advisors, there is no legal impediment in obtaining the title certificates.

Leased properties

Our principal executive offices are located on leased premises in Kunshan, Jiangsu Province, comprising approximately 1,050 sq.m..

As of the Latest Practicable Date, we leased and occupied 40 properties in Kunshan, Beijing, Shanghai, Guangzhou and Hangzhou with an aggregate gross floor area of approximately 8,882.7 sq.m.. Our leased properties are leased from Independent Third Parties, with a lease term ranging from 11 months to three years. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules as office premises, warehouses and staff dormitories.

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Title certificates or relevant authorization documents of 34 leased properties have been duly obtained by the relevant landlords. With respect to the remaining six leased properties with an aggregate gross floor area of 1,090 sq.m., or 12.3% of the total gross floor area of our leased properties, the landlords failed to provide the relevant building ownership certificates, as a result of which, there may be risks that these leases may be held invalid, and therefore we may not be able to continue to occupy and use such properties. Our Directors believe that our use of these six properties individually or collectively will not have a material adverse effect on our business, financial condition or results of operations. Even if we are required to vacate from the properties, we believe we will be able to readily find comparable properties to relocate and the costs and expenses that we may incur for relocation will be immaterial. As of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third party claims, nor had we been imposed any administrative penalties.

In addition, these 40 leases have not been registered with the relevant competent authorities. As advised by our PRC Legal Advisors, despite the leases not having been registered with the relevant competent authorities, they remain valid and legally binding and enforceable under the applicable PRC laws and regulations, according to the Civil Code of the PRC (《中華人民共和國民法典》). A maximum penalty of RMB10,000 may be imposed for non-registration of each lease, and the estimated total maximum penalty would be RMB400,000 as advised by our PRC Legal Advisors.

In order to ensure on-going compliance with the PRC laws and regulations relating to the registration of executed lease agreements, where we are the tenant to an executed lease agreement, we will continue to seek cooperation from the landlords of the leased properties to register executed lease agreements with the relevant PRC governmental authorities and will adopt a variety of risk control measures to mitigate such regulatory risk in the future. We have established a checklist of our leased properties with detailed information, including the status of the lease registration of office premises, to continue to liaise with the landlords with the aim of pursuing registration of our leased properties. Our Directors confirmed that the facts above would not materially and adversely affect our business operations because if we have to relocate from such leased property, we should be able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

As of the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets. Therefore, we are not required to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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LICENSES, REGULATORY APPROVALS AND PERMITS

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all the requisite licenses, approvals and permits from the relevant authorities that are material to our current operations. The following table sets out details of our material licenses and permits.

| <u>License/Permit holder</u> | <u>License</u> | <u>Issuing authority</u> | <u>Effective date</u> | <u>Expiry date</u> |
|------------------------------|--|---|-----------------------|--------------------|
| Kunshan Star Plus Action | Administrative Measures for Food Operation Licensing 《食品經營許可證》 | Kunshan AMR | August 17, 2021 | August 16, 2026 |
| Kunshan Star Plus Action | Approval of the National Administrative License for Special Purpose Cosmetics 《國家特殊用途化妝品行政許可批件》 | National Medical Products Administration (國家藥品監督管理局) | March 12, 2020 | March 11, 2024 |
| Beijing Star Plus Master | Commercial performance license 《營業性演出許可證》 | Beijing Municipal Bureau of Culture and Tourism (北京市文化和旅遊局) | April 24, 2022 | April 23, 2024 |
| Kunshan Talent Planet | Commercial performance license 《營業性演出許可證》 | Kunshan Municipal Bureau of Culture, Sports, Radio, Television and Tourism* (昆山市文體廣電和旅遊局) | January 16, 2023 | January 15, 2025 |

To the best of our knowledge and belief, there is no material risk that any of such licenses, permits and approvals will be revoked prior to their expiration dates. In addition, based on the advice of our PRC Legal Advisors and to our best knowledge and belief, there is no material impediment in renewing the above licenses or permits upon their expiry as long as we comply with the relevant legal requirements and take all necessary steps and submit the relevant applications in accordance with the requirements prescribed by the applicable PRC laws and regulations. For further information relating to the risks associated with obtaining and renewing licenses, permits and approvals, please refer to the section headed “Risk factors – Risks relating to our business and industry – We require various approvals, licenses, permits and registrations to operate our business and any failure to obtain or renew any of these approvals, licenses, permits and registrations or any failure to attain the above pursuant to the new enactment of government policies, laws or regulations could materially and adversely affect our business and results of operations” in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE MATTERS

As of the Latest Practicable Date, there was no litigation or arbitration proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Our Directors, as advised by our PRC Legal Advisors, confirm that our Group had complied with all the relevant PRC laws and regulations, including the relevant regulations relating to online Livestreaming marketing, in all material respects during the Track Record Period and up to the Latest Practicable Date.

DATA PRIVACY AND CYBERSECURITY

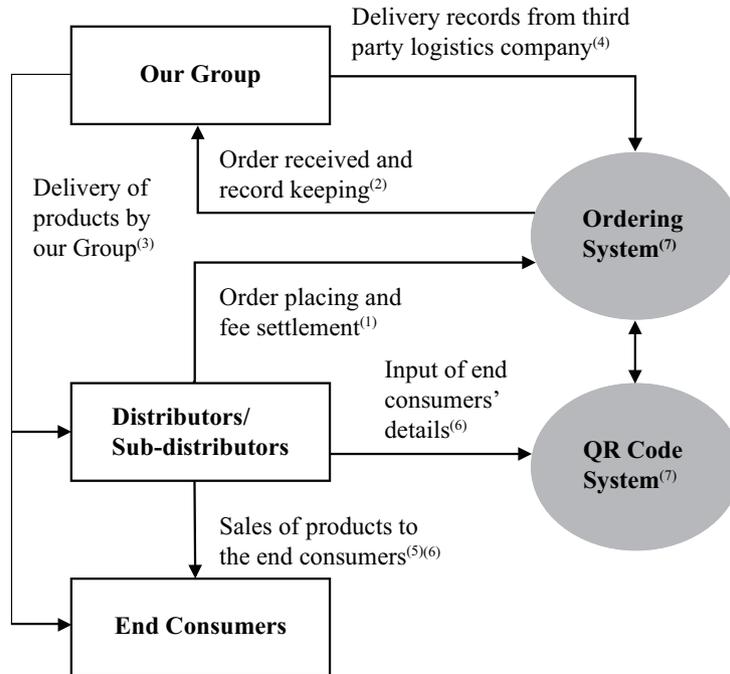
Our information technology systems are critical to our business operations and we have implemented various data protection measures and stringent internal protocols to ensure the security of our proprietary data. All the development and maintenance of our information technology systems are currently responsible by our internal technical maintenance department (系統運維部), and we outsource certain technical operations to the third party service providers in order to better support the development of our information technology systems. For instance, our cloud service provider adopts multi-layer firewall to protect against attacks or unauthorized access of our data, and they monitor the visits of the data regularly and generate reports on any suspicious or unauthorized access or attacks to us.

Ordering Management System

To support our sales through the Distribution Agent Assisted Distribution Model, we operate the Ordering Management System which provides a centralized system to manage the ordering and delivery of our major products. The Ordering Management System comprises two sub-systems, namely (i) the ordering system, which enables our distributors and their sub-distributors to place orders and allows us to record the delivery of products from our warehouse to our distributors or sub-distributors (i.e. the Ordering System); and (ii) the QR code system, which keeps track of the movement of our products from our distributors or sub-distributors to the end consumers (i.e. the QR Code System).

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The below illustrates the operation of the Ordering Management System in the sale and distribution of our products under the Distribution Agent Assisted Distribution Model:



- (1) Our distributors or sub-distributors are required to make orders of our products through their own respective accounts in the Ordering System. The Ordering System also allows the sub-distributors to place orders with their respective distributors in the system, the order of which will be approved by their distributors. Once a distributor makes an order through his/her own account in the Ordering System, such distributor is required to make prepayments for such order by making reference to it through his/her own respective accounts in the Ordering System.
- (2) Based on the record in the Ordering System, we would be able to receive the orders from the distributors and sub-distributors and match their orders with relevant settlement records.
- (3) We may arrange delivery of our products directly to the distributors or sub-distributors, or if so requested by the distributors or sub-distributors, to the end consumers.
- (4) After the delivery of our products, we will be able to track the deliveries of and completion of the orders based on the delivery records of logistics service providers engaged by us and such records would be linked up with the order records in our Ordering System.

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- (5) As part of the Ordering Management System, we also operate the QR Code System, being our product tracking system, relying on a unique, traceable and anti-counterfeiting QR code printed on each box of our products. Where our products were delivered to the distributors or the sub-distributors for their onward delivery to the end consumers, our distributors and sub-distributors are encouraged to scan the QR code and record their transactions through the QR Code System immediately before delivery of our products to their sub-distributors or end consumers. However, we are not involved in the scanning of the QR code by our distributors and sub-distributors.
- (6) For each delivery to end consumers with QR code scanning, distributors and sub-distributors are required to input the relevant details, including the name and phone number of the end consumers and the products purchased, into the QR Code System at the time when they scan the QR codes. The relevant record can only be stored in the QR Code System upon scanning of the QR code and having input the required information of the end consumer.
- (7) Data in the two systems are linked so that we can trace the sale of our products from order placing until the sale by the distributors/sub-distributors to the end consumers if they have performed the QR code scanning process.

Reasons for adopting the QR Code System

Since the launch of *MODONG* coffee in 2019, we have implemented the QR Code System mainly for the following purposes:

- (i) *keep track of the movement of our inventory* – under the QR Code System, the QR codes printed on the boxes of our products are scanned when such products are delivered from the manufacturers to warehouses of our Group or our logistics service providers, and subsequently from such warehouses to the designated address of distributors or sub-distributors;
- (ii) *detect any counterfeit products being sold in the market* – since the packaging of most of our Group's products contain a QR code, products that are originated from our Group and found in the market should be easily identified through the QR Code System. In other words, if any product is suspected to be counterfeit product, it can be easily verified through the scanning of the QR code on its packaging, as no record of such product could be found from the sales record of the Ordering System;
- (iii) *facilitate marketing activities directly to end consumers* – as part of our marketing initiatives, when the purchase volume of such end consumer reaches the level required by our Group during the promotional campaign, conducted by us from time to time, we would arrange delivery of gift(s) to such end consumers directly. Such arrangements are also beneficial to our distributors and sub-distributors to boost sales to end consumers during promotional campaign periods; and

- (iv) *facilitate the recruitment of new sub-distributors and prevent any competition amongst distributors and sub-distributors (where appropriate)* – information of each end consumer can only be recorded under one distributor in the QR Code System. Therefore by scanning the QR code and recording details of its end consumers, the distributors and sub-distributors would be able to ensure their respective end consumers would not subsequently purchase our products through other distributors or sub-distributors. Further, in the event that an end consumer subsequently becomes a sub-distributor, such record would also be used to verify the purchases previously made by such end consumer so that he/she would be entitled to become a qualified sub-distributor.

We consider that the above factors would also incentivise the distributors and sub-distributors to scan the QR code in the QR Code System when they delivered the products to their respective end consumers.

We believe the engagement of distributors is commonly adopted across various industries, even if the brand owners have the contact details of their existing end consumers so that they may have direct access to these end consumers. Given our focus on the new retail segment is to generate revenue through product design and development, even we possess the contact details of our existing end consumers, we do not have the intention and the required resources, including manpower, to sell our products directly to these end consumers or to develop new end consumers on our own. We believe our distributors and sub-distributors, who have direct access to their customers, would not have material concern on us using information of end consumers to sell our products directly to them without engaging them, but would have the incentives to scan the QR codes for the reasons discussed above.

Verification of information of end consumers

Prior to June 2022, we did not perform any cross-checking with respect to the information of the end consumers and/or the delivery records input by our distributors and sub-distributors on the basis that, we considered the risk of counterfeiting the records in the QR Code System is relatively low, given (i) the vast number of distributors, sub-distributors and end consumers involved in the scanning of the QR codes; (ii) the vast number of scanning records; and (iii) the lack of incentive for the distributors and sub-distributors to counterfeit the relevant record. As an additional internal control measure, since June 2022, we have started cross-checking the information of the end consumers and/or the delivery records input by our distributors and sub-distributors from time to time, by way of phone interviews with selected end consumers (based on the phone number of the end consumers and the relevant transaction records as input by the distributors or sub-distributors in the QR Code System) to ascertain the accuracy of the data extracted from the QR Code System, and verify and confirm their order details on a random sampling basis every month.

Implication of Cybersecurity Review Measures and Draft Regulations on Cyber Data Security

The Cybersecurity Review Measures provides that, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). As advised by our PRC Legal Advisors, it is unlikely that we would be required to undergo a cybersecurity review for the proposed Listing based on the following reasons: (i) according to a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) conducted by our PRC Legal Advisors on March 9, 2023, which is the competent authority according to our PRC Legal Advisors, the term “listing abroad (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review; (ii) given that the Ordering System and QR Code System only open to our distributors and sub-distributors and not to the public, and only for the purposes of facilitating the ordering and delivery of our products and keeping records of the sale of our products for our business operations, we do not fall within the scope of “internet platform operator”; and (iii) we do not possess personal information of over one million users.

In addition, as of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator as stipulated under the Cybersecurity Review Measures. However, there is no clear explanation or interpretations under the Cybersecurity Review Measures as to how to determine what constitutes “affecting national security” and thus may be subject to cybersecurity review initiated by the relevant government authorities.

During the Track Record Period, we collected information of our distributors, sub-distributors and end consumers through the Ordering System and QR Code System only for the purposes of facilitating the ordering and delivery of our products and keeping records of the sale of our products for our business operations. As of the Latest Practicable Date, we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures, did not process personal information of over one million users, and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. Based on the foregoing, our PRC Legal Advisors are of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the proposed initial public offering give rise to national security risks which subject us to cybersecurity review under the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security is relatively low. Based on the foregoing analysis and the advice of our PRC Legal Advisors, our Directors are of the view that the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security, if implemented in the current form, would not have a material adverse impact on our business operations or the proposed initial public offering.

During the Track Record Period and up to the Latest Practicable Date, (i) there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations or investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties; and (ii) we had not

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been subject to any fines, administrative penalties or other sanctions, or received any enquiries, notices or warnings from any relevant regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations, and had not been involved in any investigations on cyber security review by CAC. In addition, we have maintained a comprehensive and rigorous data protection program and implemented comprehensive and strict internal policies, procedures and measures to ensure our compliance practice in data protection. Moreover, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimize our practice in data protection in a timely manner to comply with the new requirements imposed by the new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional consultants to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the local branches of CAC, if needed. Based on the foregoing, if the Draft Regulations on Cyber Data Security were implemented in the current form, our Directors and our PRC Legal Advisors do not foresee any material impediments for us to comply with the requirements under the Cybersecurity Review Measures and the Draft Regulations on Cyber Data Security in all material aspects.

Based on the above, including the Directors' assessment and the view of our PRC Legal Advisors, the Sole Sponsor concurs with the views of our Directors as described above.

Other information technology systems

Furthermore, we maintain the security of our information technology systems which covers cyber security, application security, data security and terminal security through various technologies including encryption, anti-virus software and firewall. Furthermore, we conduct regular information security trainings for our employees to enhance their awareness on information security and improve the implementation of our information technology risk management.

During the Track Record Period, we did not experience any material information leakage or loss of user data. For more details in relation to the risks of our information technology system, please refer to the sections headed "Risk factors – Risks relating to our business and industry – Security breaches and attacks against our systems and network may lead to the leakage and unauthorized disclosure of data and information that we gather, which may thus harm our brand image, our business and results of operations" and "Risk factors – Risks relating to our business and industry – Failure to successfully operate and upgrade our information systems and procedures, and the inability to implement new technologies in a timely fashion, either may have a material adverse effect on our business, financial condition and results of operations" in this prospectus.

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COMPETITION

As the community-based social e-commerce industry is relatively fragmented, we compete with numerous market participants. We are of the view that we compete primarily in areas such as acquisition and engagement, quality control of products, brand recognition and distribution capability.

We believe that we are in a desirable position to compete with other competitors on the aforementioned factors. However, we cannot guarantee that we are able to predict the timing, scale and effectiveness of our competitors' actions in these areas or the timing and impact of new entrants into the marketplace, and our current/future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger user base or greater financial, technical or marketing resources than we do. For additional risks that are associated with our competitive position, please refer to the section headed "Risk factors – Risks relating to our business and industry – Social media based new retail industry is highly competitive. If we are unable to compete effectively with existing or new competitors, we may lose our market share, and our business, results of operations and financial condition may be materially and adversely affected" in this prospectus. For more details on the competitive landscape of the social e-commerce business in China, please refer to the section headed "Industry overview – China's community-based social e-commerce industry – Competitive landscape" in this prospectus.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our business is generally subject to numerous PRC national, municipal and local environmental, health and safety laws and regulations. Nonetheless, due to the nature of our business and we do not operate any production facilities, we do not discharge or produce any industrial wastes or pollutants which are hazardous to the environment. As confirmed by our PRC Legal Advisors, we are not required to obtain any approvals or certificates that are applicable to the environment laws and regulations in the PRC.

Despite the environmental impact directly caused by us, we recognize our corporate social responsibility is a key driving factor to promote the long-term development of our Group. Therefore, we have integrated environmental, social and governance ("ESG") matters into corporate management and operations and we are committed to comply with the ESG reporting requirements upon Listing.

We are in the process of establishing ESG policies in accordance with Appendix 27 of the Listing Rules, which would cover, among others, (i) ESG policies and performance, (ii) ESG management strategy, and (iii) ESG risk management and monitoring. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, environment responsibility and public responsibility. We also intend to establish communication channels with stakeholders, so that we could review the issues material to stakeholders, and monitor how our environmental, social and climate-related performance has impacted different stakeholders.

Social matters

We are committed in providing a safe and healthy environment for our employees. To ensure the compliance with the applicable laws and regulations, we have formulated workplace safety policies and procedures to erect a favorable and harmonious work environment. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or other penalties due to non-compliances related to work safety, social or environmental regulations, and did not have any accidents, or claims for personal or property damage made by our employees which had materially and adversely affected our business and results of operations.

In addition, we are committed to offering a fair and caring working environment to our employees. We have equal opportunities and anti-discrimination. We hire employees based on their merits and it is our corporate policy to offer equal opportunities and fair compensations to our employees. We encourage our employees who encounter any discrimination to seek immediate assistance, which also allows us to conduct timely investigation and follow up as needed. In addition, we provide training programs on industry and regulatory developments to our employees.

We believe it is our responsibility to contribute to our community and support the future development of our next generation. Among other things, we made an aggregate of RMB1.0 million donation to an education foundation in the mainland China to fund the purchase of general instruments and devices in 2020.

Environmental matters

We are dedicated in managing the environmental impacts associated with our operations, and we endeavor to minimize the negative impact on the environment. We primarily consume electricity, paper boxes and plastic wraps in our operational activities. Our current environmental footprint is relatively small and our operations do not have a significant impact on the environment. Nevertheless, we adhere to the concept of green management and actively seek low-carbon sustainable development in our operations. Energy consumption of our office premises is the main source of scope 2 greenhouse gas emissions in our operation. We will implement policy to monitor and control our electricity consumption. For details, please refer to the paragraph headed “– Environmental, social and governance – Identification and assessment of ESG risks and issues – ESG related metrics and targets” below. We also adhere to the “3R” approach to environmental conservation, i.e. reduction of waste, reuse of resources and recycling of used materials, to the largest practicable extent in our business operation as a show of care for the environment. We engage third-party manufacturers and logistic services providers in our operations. To reduce our scope 3 greenhouse gas emissions, we have taken initiatives in procuring our suppliers to accelerate more sustainable components, such as the use of environmentally-friendly packaging materials like biodegradable paper packaging materials. To further mitigate the impact of our packaging on the environment, we procure our suppliers in trying to use minimal amount of packaging materials to pack our products. We also take initiatives to shift from single-use to reusable packaging such as reusing paper boxes and

replacing some packaging paper boxes with recycled paper boxes. Please also refer to the paragraph headed “Environmental, social and governance – Supply chain management and product safety” in this section below for further details.

In addition, as we engage third party logistics services providers in our delivery process, we put emphasis on the ESG performances of such service providers, in addition to the traditional parameters in procurement, such as price, quality and availability. For example, we will conduct assessment for logistics service providers against environmental and social criteria to give priority to service providers that pose fewer environmental impacts by using environmental-friendly packaging materials, generating less greenhouse gas, consuming less energy resource or having achieved relevant International Organization for Standardization (“ISO”) standards.

We will, from time to time, evaluate and, if needed, secure more appropriate services providers. We will closely monitor relevant industry developments and make management improvements in accordance with changes in market condition or industry standards when appropriate.

Supply chain management and product safety

We engage third-party manufacturers in the production of products under our new retail business. We evaluate our suppliers based on production management, quality control processes, delivery and other after-sales services and require our suppliers to provide us with the relevant certificates and qualifications in relation to their manufacturing practices such as Good Manufacturing Practice (GMP) and ISO. We also take into account their ESG performances in our selection of suppliers and give priority to suppliers that pose fewer environmental impacts by using environmental-friendly packaging materials, generating less greenhouse gas, consuming less energy resource or having achieved relevant ISO standards. We have also obtained the relevant government approval for the environmental impact review of our major suppliers in order to evaluate and monitor their ESG performances. To the best knowledge of our Directors, third-party manufactures of our products did not have any material ESG issue during the Track Record Period. We would continuously monitor the quality of products produced by the third-party manufacturers. Our suppliers are required to provide to us their internal quality control reports for each of our orders and we also cooperate with an external quality inspection company to perform annual inspection on the products supplied by our suppliers on a sampling basis. We also conduct on-site ad hoc inspections on our major suppliers periodically. For details, please refer to the paragraph headed “Quality control” in this section.

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Identification and assessment of ESG risks and issues

Based on our management's judgment and with reference to the materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by MSCI and SASB Materiality Map by Sustainability Accounting Standards Board (SASB), we have identified the following material environmental, social and climate-related issues and their respective potential impacts that are highly related to our business:

| <u>Material issues</u> | <u>Potential risks</u> |
|------------------------------------|--|
| Product safety and quality | Our product safety guidelines and policies, standards and procedures, inspections and checks, and training on proper product safety practices, among others, may not be adequate. As a result, we may be subject to risks of receiving consumer complaints or governmental penalties and our reputation may be adversely impacted. |
| Supply chain management | Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be subject to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation. |
| Physical impacts of climate change | Climate change may lead to risks like more extreme weather conditions. Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damages to our office facilities and our suppliers' facilities, pose safety risks to our staff and lead to delayed product delivery by our suppliers, among other consequences. |

We have established in place various mitigation and measures to prevent and manage the risks from ESG-related issues from causing unnecessary impact on our operations. To mitigate climate-related risks such as more frequent extreme weather conditions, we have in place emergency plans against extreme weather conditions where employees and other personnel are notified promptly with any related measures. To ensure that all personnel are well prepared for such extreme weather conditions, regular evacuation drills are conducted.

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Furthermore, we are willing to consult third-party professional entities to improve its compliance and quality on emission disclosures, and regularly communicates with different stakeholders on their views on climate-related issues.

ESG related metrics and targets

As our business does not relate to manufacturing and production, and a large portion of resources are provided by our suppliers and third party logistics service providers, our operations does not have any direct negative impacts on the environment. Nevertheless, we will regulate ourselves to reduce indirect negative impacts on the environment in our operations. In implementing our ESG related strategies, we will use certain key performance indicators (“KPIs”) to evaluate our ESG performance annually to help ensure that we meet our targets and take corrective actions when necessary.

Energy consumption of our office premises is the main source of our indirect greenhouse emissions. Considering the nature of our business operation, the Board considers electricity consumption to be our KPI to evaluate ESG performance. The following table sets for the information in relation to the electricity consumption of our office premises in the PRC during the Track Record Period:

| | Year ended December 31, | | | |
|--|--------------------------------|-------------|-------------|-------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(kWh)</i> | | | |
| Total consumption amount | 60,094 | 107,027 | 78,630 | 258,791 |
| Average consumption amount per employee ^(Note) | 1,167 | 1,070 | 491 | 1,232 |

Note: Calculated based on the total consumption amount divided by the average number of employees of our PRC offices as at the beginning and the end of each financial year.

We expect that our total electricity consumption to increase during the next three years as we will expand our business operations through E-commerce Livestreaming sessions and other online marketing activities. Nevertheless, we will implement policy to monitor and control our electricity consumption. Taking into account the expected increase in the number of our employees and expansion of our business operations through E-commerce Livestreaming sessions and other online marketing activities, we target to maintain the annual average electricity consumption of employees of PRC offices at approximately 2,000 kWh.

Going forward, the Board will continue to monitor the ESG implications of our business and set metrics and targets for material KPIs for each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules.

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To better protect the environment, we have been gradually adopting more sustainable and eco-friendly measures in our operations including product design. In particular, we have established the following targets in respect of our ESG performances in addition to our target on electricity consumption:

- implement recycling policy to ensure at least 80% of the packaging cartons for our products will be collected and recycled by our Group or by qualified third parties by the end of 2024;
- refine the design of our products and adopt and use eco-friendly and/or biodegradable packaging materials for at least 20% of our products by the end of 2025;
- enhance the use of online marketing and promotion and reduce the resources consumption level of offline marketing activities;
- fully implement the use of online system for internal administrative procedures to reduce the use of paper documents by the end of 2023, and avoid waste of paper by promoting printing on both sides;
- replace all energy-intensive lighting with high luminous efficacy light set such as LED lights at our office premises by the end of 2024;
- set up a record-keeping system for internal teams to monitor and keep record of relevant environmental metrics of our Group, such as electricity consumption, for future improvement and reporting by the end of 2023; and
- fully implement our ESG policy in respect of raw material procurement by requiring all of our suppliers and/or service providers to obtain relevant quality certifications from third-party by the end of 2025.

We will regularly review the progress of achieving the targets and liaise with key stakeholders to help map a more comprehensive view of the major indicators of our ESG performances.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. In particular, we have adopted and implemented risk management policies in various aspects of our business operations.

Financial reporting risk management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as financial management, budget management and financial

statement preparation. We also have procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. In addition, we provide ongoing trainings to our finance staff to ensure that these policies are well-observed and effectively implemented.

Operational risk management

New retail segment

As advised by the PRC Legal Advisors, pursuant to the Food Safety Law of the PRC (中華人民共和國食品安全法) and other relevant PRC laws and regulations, health supplements (保健食品) are food products claiming the specific functions that fall within the catalogs promulgated by the food safety supervisory and administrative department of the State Council and other competent governmental authorities authorized by the Food Safety Law of the PRC, and shall be registered or filed with the competent governmental authorities for the manufacture and sales.

We have adopted a number of internal control measures at different stages (e.g. raw materials procurement, research and development, manufacturing, advertising, sale and distribution of the Group's health management products) to ensure that they shall not be classified as health supplements as stipulated under the relevant PRC laws and regulations, including, amongst others, (a) involving legal counsels to check the description of the products on the package, and advertising materials against the applicable laws for the compliance, (b) strict selection or formulation of the ingredients or formulas of our products fully in compliance with the laws during the research and development stage, and (c) communication with, and request of internal quality control reports from, the third party manufacturer, to ensure the compliance of the manufacturing process.

Based on the foregoing and the advice of the PRC Legal Advisors, the Directors confirmed that our health management products do not fall within any of the aforementioned catalogs under the applicable PRC laws and regulations regulating health supplements (保健食品), and hence our Directors are of the view that, and the PRC Legal Advisors concurred, our health management products shall not be considered as health supplements (保健食品), which shall subject to the regulations of the Food Safety Law of the PRC, and other applicable laws and regulations.

IP creation and operation segment

In order to effectively manage our compliance and legal risks, we have adopted internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, including specific measures to ensure compliance with the regulations in relation to Livestreaming marketing and the PRC entertainment industry, such as (i) designating the director of our legal and compliance department to closely monitor any changes in the relevant laws and regulations and bring the change to senior managements' attention for discussion on the risk faced by us and the plan to respond to such change; (ii) consulting our legal advisors on any changes in the laws and regulations regularly (at least bi-annually); (iii) closely monitoring the

BUSINESS

behavior of celebrities and KOLs which have a working relationship with us in the public domain and maintain a list of celebrities and KOLs which have been cautioned or blacklisted by relevant authorities; and (iv) terminating our cooperation with the relevant celebrity or KOL or taking other disciplinary actions, if we discover content or promotions by our celebrities or KOLs to be in violation of our agreements with them.

According to our internal guidelines on cooperation with celebrities and KOLs, our agreements with celebrities and KOLs shall require them to ensure the information relating to products they promote in Livestreaming are true, not misleading and in compliance with all PRC laws and regulations. We shall procure the timely removal of any false or misleading information. In accordance with these procedures, our legal and compliance department examines the contractual terms and reviews all the relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under the business contracts and all necessary underlying due diligence materials, before we enter into any contracts or business arrangements.

In order to ensure the information relating to products they promote in Livestreaming sessions is true, not misleading and in compliance with all PRC laws and regulations, in addition to reliance on contractual obligation imposed on celebrities and KOLs, we would (i) assess the reputation of the celebrities and KOLs prior to engaging them, (ii) provide guidelines to the celebrities and KOLs of how to promote our products, (iii) arrange our staff to view and monitor the Livestreaming of celebrities and KOLs on a sampling basis. In the event we find out a celebrity or KOL provides inaccurate or misleading information regarding promotion of our products during one's Livestreaming session, and/or we receive similar complaint from any third party, we will take appropriate measures, such as terminating our cooperation with such celebrity or KOL and/or blacklisting him/her. We believe there are a large number of celebrities or influencers that we can cooperate with even if the reputation of any of our existing celebrity or influencer is affected by the regulations. As of the Latest Practicable Date, to our best knowledge after due and careful enquiries, none of the celebrities and KOLs we collaborated with or in negotiation for collaboration was engaged in any activities prohibited by the Strengthening Regulations and other rules and regulations applicable to Livestreaming activities.

Human resource risk management

We have established internal control policies covering various aspects of human resource management such as recruitment, trainings, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. Our internal management policies contain guidelines regarding best commercial practice, work ethics and prevention of fraud, negligence and corruption. We have also made available an anonymous reporting channel through which potential incidents of fraud in our Group can be timely reported to the internal control department and appropriate measures can be taken to minimize damage.

Audit committee experience and qualification and Board oversight

We have established an audit committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, please refer to the section headed “Directors and senior management – Board of Directors” of this prospectus.

Our senior management is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. The audit committee then discusses the issues and reports to the Board if necessary.

Ongoing measures to monitor the implementation of risk management policies

Our audit committee and internal control department monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating the risks involved in our operations.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

INTRODUCTION

During the Track Record Period, we engaged Kunshan Tingshe as the Distribution Agent of our *MODONG* coffee and other Kunshan Tingshe Distributed Products under the Distribution Agent Assisted Distribution Model. Under such distribution model, Kunshan Tingshe is responsible for, amongst others, the development and management of the distribution network for the sale of the relevant products. For the year ended December 31, 2019, 2020, 2021 and 2022, our revenue attributable to Kunshan Tingshe under the Distribution Agent Assisted Distribution Model amounted to RMB71.0 million, RMB340.8 million, RMB254.3 million and RMB167.7 million, respectively, representing 89.0%, 93.3%, 84.4% and 69.8% of our revenue from new retail business in the corresponding year.

BACKGROUND LEADING TO OUR DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Kunshan Tingshe is our first and largest Distribution Agent. At the time when we introduced the Distribution Agent Assisted Distribution Model in 2019, we separately established Kunshan Tingshe as our 80%-owned subsidiary in June 2019 which was appointed and positioned by us as the Distribution Agent for *MODONG* coffee (which is supplied by our wholly-owned subsidiary, Kunshan Star Plus Action). Kunshan Tingshe, which is led by Li Ting, principally engages in the development and management of the distribution network for *MODONG* coffee and provision of trainings for our distributors mainly on sales and marketing techniques. In addition, given that Kunshan Tingshe directly managed and contacted our distributors as a subsidiary of our Company at the relevant time, we designated Kunshan Tingshe to be the entity responsible for the sale of *MODONG* coffee to our distributors and therefore, as part of our internal intra-group arrangement, Kunshan Tingshe purchased *MODONG* coffee from Kunshan Star Plus Action, for the purpose of onward sales to our distributors.

Legal and contractual relationship

In order to formalize the aforesaid business, legal and internal intra-group relationships between Kunshan Star Plus Action and Kunshan Tingshe, (i) Kunshan Star Plus Action entered into the Main Distribution Agreement with Kunshan Tingshe, which stipulated the contractual relationship between seller (Kunshan Star Plus Action) and buyer (Kunshan Tingshe); and (ii) Kunshan Tingshe entered into distribution agreements with our distributors whereby the contractual relationship between seller (Kunshan Tingshe) and buyer (our distributors) was established (and our distributors in turn entered into agreements with the sub-distributors whereby the contractual relationship between seller (our distributors) and buyer (the sub-distributors) was established). Accordingly, the sub-distributors would settle the purchase prices with our distributors, who would in turn settle the relevant sum with Kunshan Tingshe. Kunshan Tingshe would then settle the product prices with us pursuant to the Main Distribution Agreement. For details of our settlement arrangement, please refer to the paragraph headed “Settlement arrangement among our Group, Kunshan Tingshe and our distributors” in this section below. Such arrangement has been subsequently extended to the sales and distribution of other Kunshan Tingshe Distributed Products after their respective official launch thereof.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Relationship from accounting perspectives

Notwithstanding the legal and contractual relationship among Kunshan Star Plus Action, Kunshan Tingshe and the distributors as aforementioned, based on the following facts and the respective roles of Kunshan Star Plus Action and Kunshan Tingshe in the Distribution Agent Assisted Distribution Model, in accordance with Hong Kong Financial Reporting Standard (“**HKFRS**”) 15, Kunshan Star Plus Action is regarded as the seller, Kunshan Tingshe is regarded as an agent and our distributors are regarded as our customers from accounting perspective, which is in line with our original business intention when Kunshan Tingshe was established, on the following basis:

- Under HKFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Main Distribution Agreement entered into between our Group and Kunshan Tingshe; and the distribution agreements entered into between Kunshan Tingshe and our distributors merely set out the framework of the transactions between the respective parties and did not specified the details of the individual transactions. Accordingly, the existence of such agreements alone is not adequate to conclude the identity of the customers under HKFRS 15, as each party’s rights and obligations regarding the specific goods to be transferred are not identifiable. On the contrary, the orders placed by our distributors through the Ordering System contain details of the products to be transacted and we are committed to fulfill the obligations under such orders, thereby creating enforceable rights and obligations between our Group and our distributors, and consisted of a contract under HKFRS 15;
- Selling price of the Kunshan Tingshe Distributed Products and any discount offered to our distributors are determined by Kunshan Star Plus Action, not Kunshan Tingshe. Kunshan Tingshe has no discretion to determine the selling price of the Kunshan Tingshe Distributed Products and it has to strictly comply with the selling price determined by Kunshan Star Plus Action. After *MODONG* coffee is sold to our distributors, our distributors will have discretion in establishing the selling price for *MODONG* coffee to the sub-distributors and their end consumers, as long as they comply with our pricing guidelines unless our prior approval has been obtained, and our distributors are the primary obligor for providing *MODONG* coffee to the sub-distributors and the end consumers;

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

- Kunshan Star Plus Action, rather than Kunshan Tingshe, retains the primary responsibility for the provision of the Kunshan Tingshe Distributed Products to each of our distributors. Kunshan Tingshe never had control or ownership of the goods throughout the entire process. Once our distributors place orders on our Ordering System, Kunshan Tingshe Distributed Products will be delivered by independent logistics service providers engaged by us directly from Kunshan Star Plus Action's warehouses to our distributors' designated addresses. Kunshan Tingshe does not maintain any inventories of the Kunshan Tingshe Distributed Products and bears no inventory risk in the arrangement; and
- When a box of the Kunshan Tingshe Distributed Products is delivered by independent logistics service providers engaged by us and accepted by a distributor (or at the address designated by the distributor or sub-distributor), the legal title of the box sold will be transferred to such distributor, who will then assume all the inventory risks associated with the box sold. Save for returns for defective products within 30 days after delivery of the products subject to the provision of the relevant details and proofs from distributors, no product can be returned to us after the seven-day return period as prescribed by the Consumer Protection Law. We will not reclaim any unsold products from our distributors. For more details, please refer to the section headed "Business – Distribution network – Distribution Agent Assisted Distribution Model – Management of our distribution network – (I) Product return policies" in this prospectus.

Accordingly, we only recognize revenue at the point when the Kunshan Tingshe Distributed Products are delivered by independent logistics service providers engaged by us to and accepted by our distributors (or at the addresses designated by our distributors or sub-distributors). Please refer to the paragraph headed "Accounting treatment in relation to the sales of the Kunshan Tingshe Distributed Products" in this section below for further details of the relevant accounting treatment.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Disposal of Kunshan Tingshe as our subsidiary and our continuous engagement of it as our Distribution Agent

In May 2020, we divested our interest in Kunshan Tingshe. For details on the background and reasons for the disposal, please refer to the section headed “History, development and reorganization – Our history and development – Our major subsidiaries – Kunshan Tingshe – Disposal of our interest in Kunshan Tingshe” in this prospectus.

We consider it is in the best interests of our Group and the Shareholders as a whole to continue engaging Kunshan Tingshe as a Distribution Agent and maintain the above legal and contractual relationships and agreements between (a) Kunshan Star Plus Action and Kunshan Tingshe; (b) Kunshan Tingshe and our distributors; and (c) our distributors and their sub-distributors, as well as the payment arrangement pursuant to the above arrangements even after the disposal of Kunshan Tingshe, having taken into account of the followings:

- (i) mutual trust has been well formed between our Group and Kunshan Tingshe for the operation of the Distribution Agent Assisted Distribution Model as well as the pricing arrangement among Kunshan Tingshe, distributors and sub-distributors have already been well-established and well-operated by Kunshan Tingshe;
- (ii) our Group was ready to dispose of Kunshan Tingshe in order for us to focus on our core business;
- (iii) we have not had any direct contractual relationship with our distributors, before and after the disposal of Kunshan Tingshe. As such, our Directors are of the view that the operation of the Distribution Agent Assisted Distribution Model would not be adversely affected if it ceased to be our Distribution Agent by the absence of direct contractual relationship between our Group and distributors, even after Kunshan Tingshe is no longer a member of our Group after completion of its disposal. In order to reduce Kunshan Tingshe’s risk to us, (a) we entered into the Jointly-controlled Accounts Agreements with Kunshan Tingshe (please refer to the paragraph headed “Control measures against risk of default of Kunshan Tingshe – (a) Jointly-controlled Accounts” in this section); and (b) Kunshan Tingshe is obliged to terminate the distribution agreements that it entered into with distributors and procure such distributors to enter into distribution agreements (or other agreements required by us) with our Group or our designated third parties if it ceased to be our Distribution Agent; and
- (iv) the cessation of retaining Kunshan Tingshe as our Distribution Agent or any major alteration to the operation of the Distribution Agent Assisted Distribution Model may result in material adverse change on our business and financial performance, given the distribution model has comprised vast number of distributors and sub-distributors and would defeat our intention for the disposal of Kunshan Tingshe.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Apart from acting as our Distribution Agent, certain of our products, such as skincare products under *LA DEW* brand, are sold to our distributors through Kunshan Tingshe without any payment of discount, incentives and fees from time to time.

Prior to the disposal of Kunshan Tingshe, as Kunshan Tingshe was still our subsidiary, we shared office and staff resources to support the administrative (including human resources and audit), sales and marketing works (including assisting Kunshan Tingshe to provide trainings to distributors and sub-distributors) of Kunshan Tingshe. After such disposal, we no longer shared office and no longer provided administrative support to Kunshan Tingshe, and Kunshan Tingshe had leased its own office and recruited its own employees. The following table sets out the number of individuals being responsible for managing our distributors and sub-distributors under the Distribution Agent Assisted Distribution Model during the four years ended December 31, 2022:

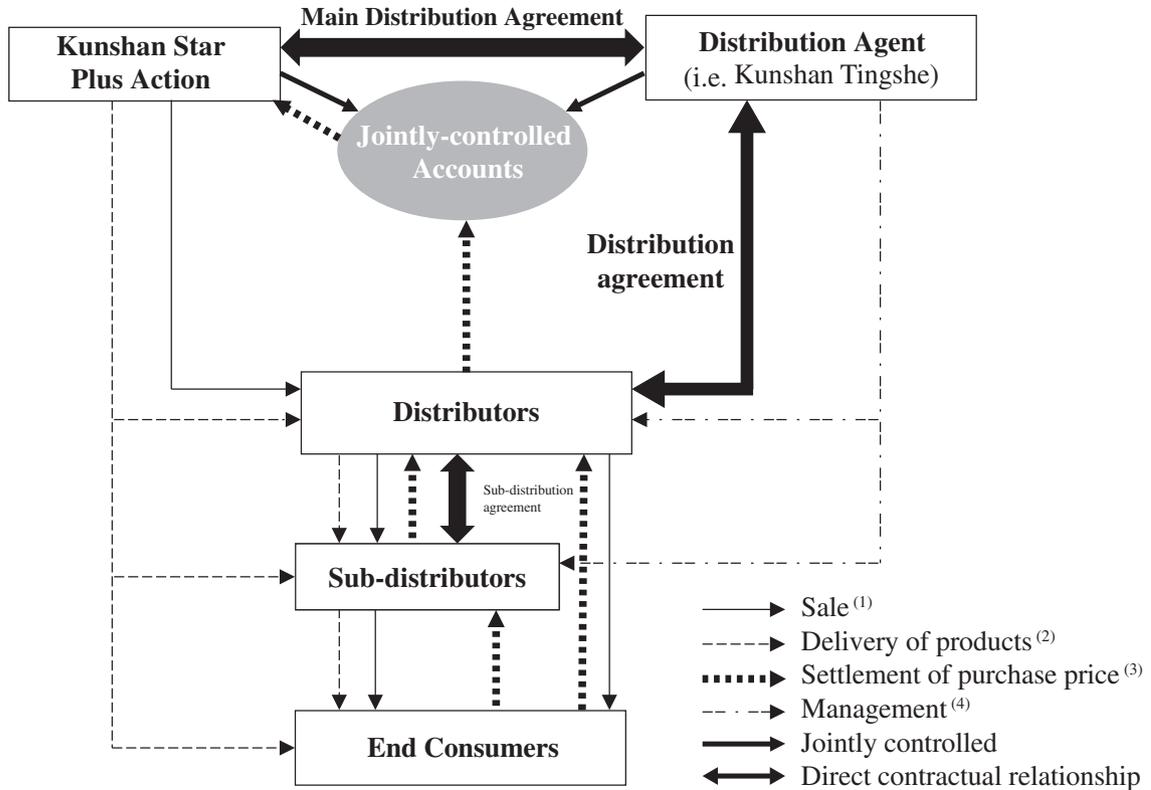
| | Year ended December 31, | | | |
|--|-------------------------|------|------|------|
| | 2019 | 2020 | 2021 | 2022 |
| Employees and senior management of Kunshan Tingshe (including Li Ting) | 1 | 9 | 17 | 13 |
| Selected Distributors with managerial responsibilities ^(Note) | – | 13 | 15 | 21 |

Note: After the disposal and with continuous increase in scale of the distribution network, in addition to Kunshan Tingshe and Li Ting, certain Selected Distributors also has taken up the managerial responsibilities in expanding and managing the distribution network.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

BUSINESS FLOW AND KEY PARTICIPANTS

The diagram below illustrates our Distribution Agent Assisted Distribution Model in respect of the Kunshan Tingshe Distributed Products:



Notes:

- (1) Our revenue from sales is recognized upon delivery of products to distributors, sub-distributors and/or end consumers (as the case may be).
- (2) Our Group is responsible for the delivery of our products to the distributors or sub-distributors. We may also arrange direct delivery to end consumers from time to time at the specific requests of the distributors or sub-distributors. Where our products were delivered to the distributors or the sub-distributors for their onward delivery to the end consumers, our distributors and the sub-distributors are encouraged to scan the QR code using our QR Code System immediately before delivery to sub-distributors or end consumers. For details regarding the QR Code System, please refer to the section headed “Business – Data privacy and cybersecurity – Ordering Management System” in this prospectus.
- (3) Purchase price for our products shall be settled by the distributors by way of transfer to the Jointly-controlled Accounts, which have been jointly-controlled by us and Kunshan Tingshe since June 1, 2020 after Kunshan Tingshe was disposed of by us. For details, please refer to the paragraph headed “Settlement arrangement among our Group, Kunshan Tingshe and our distributors” in this section below.
- (4) Kunshan Tingshe is responsible for the development and management of the distributors and the sub-distributors of our products, including providing training on sales and marketing techniques to the distributors and sub-distributors and monitoring their performance.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

MAIN DISTRIBUTION AGREEMENT WITH KUNSHAN TINGSHE

We entered into the Main Distribution Agreement with Kunshan Tingshe for the Kunshan Tingshe Distributed Products on September 24, 2021 (as supplemented by a supplemental agreement dated October 31, 2022), which formalized the arrangement between Kunshan Tingshe and us. The products sold through Kunshan Tingshe substantially comprised *MODONG* coffee and, to a lesser extent, other Kunshan Tingshe Distributed Products during the Track Record Period. The following summarizes the salient terms of the Main Distribution Agreement:

Geographic exclusivity: Kunshan Tingshe can only conduct distribution operations for Distribution Agent Assisted Distribution Model products through social e-commerce channel within the PRC.

Supply and payment of products: We shall supply the products to Kunshan Tingshe according to the price stipulated in the relevant agreement, and Kunshan Tingshe shall settle the payment and remit such payment to our bank accounts upon the receipt of our written notice.

Security deposit: The Main Distribution Agreement provides that Kunshan Tingshe is required to make a security deposit of RMB50.0 million with us out of the fund in the Jointly-controlled Accounts, with an objective to reduce the balance thereof and the amount due from Kunshan Tingshe to us from to time. In October 2022, we entered into a supplemental agreement to the Main Distribution Agreement provides that Kunshan Tingshe shall no longer be required to maintain with our Group the security deposit of RMB50.0 million as we have commenced daily settlement with Kunshan Tingshe since November 2022.

Minimum sales amount: The Main Distribution Agreement provides that Kunshan Tingshe shall undertake to realize a minimum annual sales amount of 2,000,000 boxes of *MODONG* coffee, with the minimum sales amount of RMB210 million payable to us by Kunshan Tingshe. We are entitled to unilaterally terminate the Main Distribution Agreement with 30 days notice in the event if such minimum sales amount is not achieved.

Pricing: Kunshan Tingshe is required to follow our nationwide uniform pricing guidelines. The selling price can be further revised upon our prior approval if specific market requires such adjustment. For details, please refer to the paragraph headed “Pricing arrangement and discounts, incentives and fees paid for the sales of Kunshan Tingshe Distributed Products” in this section.

Sales and marketing operations: Kunshan Tingshe shall strictly comply with the relevant PRC laws, regulations and not engage in any illegal, inappropriate, misleading and false advertising during the sales of products. Additionally, Kunshan Tingshe shall follow our sales policies and distribution procedures. Kunshan Tingshe is also responsible for assessing and providing guidance to distributors to comply with such sales policies and procedures. Any form of online or offline marketing campaigns or events which is held under our name, whether related or unrelated to our business, is forbidden without our prior written approval.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Term of contract: The term of the Main Distribution Agreement is five years and is automatically renewed for five years after the expiry date unless we provided prior written notice to Kunshan Tingshe that the agreement will not be renewed.

Assignment: Shall the Main Distribution Agreement be discharged or terminated, the distribution channels of Kunshan Tingshe shall be undertaken and managed by us or our designated third party(ies). Kunshan Tingshe should collaborate with us or our designated third party(ies) to facilitate any handover matters. Kunshan Tingshe shall not assign any of its rights or obligations under the Main Distribution Agreement to any third party without our prior written consent.

Change of distribution agent: Pursuant to the Main Distribution Agreement, the management rights and obligations of the distribution channels of Kunshan Tingshe will be transferred to us or our designated party(ies) if Kunshan Tingshe no longer distributes products for us.

In the event that the management rights and obligations of the distribution channels of Kunshan Tingshe is to be transferred to other parties, our distributors agreed that they shall cooperate with Kunshan Tingshe or its assignees to take necessary measures to complete the assignment or transfer. We will immediately identify alternative candidates which are capable to perform such function, such candidates include entities which are controlled by our other well-performing distributors or other service providers in the market which have similar experience and expertise, and in such case we do not expect our underlying policies and mechanisms for the distribution of Kunshan Tingshe Distributed Products pursuant to the distributor agreement to undergo major changes should an alternative Distribution Agent be engaged in place of Kunshan Tingshe. Further, we do not have any plans to manage our distributors by allocating our internal human resources as that would not be in line with our business strategy.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

CONTROL MEASURES AGAINST RISK OF DEFAULT OF KUNSHAN TINGSHE

We maintain critical control in our business relationship with Kunshan Tingshe, including:

(a) Jointly-controlled Accounts

Kunshan Tingshe ceased to be our subsidiary on May 31, 2020. Given the contractual buyer and seller relationship between Kunshan Tingshe and our distributors in relation to the sales of the Kunshan Tingshe Distributed Products pursuant to the distribution agreements entered into between Kunshan Tingshe and our distributors prior to the disposal of Kunshan Tingshe, immediately before and after disposal of Kunshan Tingshe by us, Kunshan Tingshe has continued to be the legal entity being primarily responsible for receiving the prepayments for purchases from our distributors.

In view of the settlement arrangement, in order to have a better control over the cash received by Kunshan Tingshe regarding the distribution of the Kunshan Tingshe Distributed Products and reduce the amount due from Kunshan Tingshe to us (being Kunshan Tingshe's credit risk to us), we entered into the Jointly-controlled Accounts Agreements with Kunshan Tingshe. Pursuant to such Jointly-controlled Accounts Agreements, the Jointly-controlled Accounts which were designated for the receipt of payments for the Kunshan Tingshe Distributed Products from the distributors shall be jointly-controlled by us and Kunshan Tingshe. Since November 2022, Kunshan Tingshe has agreed to transfer the amount payable to us in respect of the prepayment received from the distributors on the working day immediately following the date of such prepayment commencing. For details of the settlement arrangement between our Group, Kunshan Tingshe and our distributors, please refer to the paragraph headed "Settlement arrangement among our Group, Kunshan Tingshe and our distributions" in this section.

The following summarizes the salient terms of the Jointly-controlled Accounts Agreements:

Nature of the account: For the sole purpose of the deposit of prepayment and security deposit from our distributors.

Legal title of the account: Subject to the co-management arrangement below, the legal title of the Jointly-controlled Accounts belong to Kunshan Tingshe.

Co-management arrangement: Kunshan Tingshe and us each appoint a representative as the co-manager of the account. Any remittance out of the account has to be approved by both co-managers. In particular, each of our Group and Kunshan Tingshe holds one chop for offline transaction and one set of login key to the online banking system in respect of the Jointly-controlled Accounts. Any withdrawal from such bank accounts would require presentation of both chops (as to offline transactions) and both login keys (as to online transactions). Accordingly, Kunshan Tingshe cannot make unilateral withdrawal from the account or pledge the account as collateral in any way, and we are entitled to seek damages from Kunshan Tingshe for any breach.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Term: For an indefinite term unless the Main Distribution Agreement is terminated.

Account settlement: Pursuant to the Main Distribution Agreement and the supplemental agreement to the Main Distribution Agreement dated October 31, 2022, we shall provide the sales invoice of the day before to Kunshan Tingshe each day, and Kunshan Tingshe shall confirm the sales amount and settle the amount payable to us in respect of prepayment received from the distributors on the working day immediately following the date of such prepayment from the Jointly-controlled Accounts.

As of December 31, 2022, the balance of the Jointly-controlled Accounts was approximately RMB1.3 million.

Given Kunshan Tingshe is unable to make any withdrawal from the Jointly-controlled Accounts unilaterally, the risk of default of Kunshan Tingshe in respect of payments from our distributors is relatively remote. During the Track Record Period and as at the Latest Practicable Date, the funds in the Jointly-controlled Accounts had not been misappropriated. In the event that there is any misappropriation of funds by Kunshan Tingshe, our Group is legally able to enforce our rights, through legal actions or other dispute resolutions, under the Jointly-controlled Accounts Agreements and/or the Main Distribution Agreement.

(b) Control over product formula

We are in possession of the formulas required for the production of *MODONG* coffee and majority of other Kunshan Tingshe Distributed Products, and we believe the unique attributes of Kunshan Tingshe Distributed Products are critical to the end consumers' purchase decisions.

(c) Control over order placement

All the orders of our Kunshan Tingshe Distributed Products are placed through the Ordering System whereby we have full access to the orders placed by our distributors and their sub-distributors.

(d) Control over contractual relationship

We entered into a five-year Main Distribution Agreement with Kunshan Tingshe, and the term will be automatically extended for another five-year unless we decide otherwise. In addition, the Main Distribution Agreement provides that, and Li Ting has reciprocally undertaken that she will continue to provide sales and marketing services to our Group during the term of the agreement. More importantly, in the event that such Main Distribution Agreement is terminated, the management rights and obligations of the distribution channels controlled by Kunshan Tingshe shall be transferred back to us or our designated third party(ies).

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

MUTUAL RELIANCE BETWEEN OUR GROUP AND LI TING

Li Ting is the shareholder and key personnel of Kunshan Tingshe (the distribution arm of Kunshan Tingshe Distribution Products), and she has been heavily involved with us in (i) establishing, developing and managing the distribution network for our Kunshan Tingshe Distributed Products, and (ii) conducting product promotion for expansion of the distribution network since the launch of *MODONG* coffee.

We first commenced business relationship with Li Ting when our products (including *LA DEW* facial masks) were first introduced to Li Ting and her team in January 2018. For details regarding our relationship with Li Ting, please refer to the section headed “History, development and Reorganization – Our major subsidiaries – Kunshan Tingshe – Li Ting” in this prospectus.

Our Directors are of the view that there is mutual reliance between our Group and Li Ting, for the distribution of our *MODONG* coffee and the other Kunshan Tingshe Distributed Products as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting and her team to manage our distributors and sub-distributors and develop our distribution network. Conversely, Li Ting relies on us to continue her main distribution business. More importantly, collaboration with us gives Li Ting the opportunity to leverage the empowerment of our unique celebrity IPs to procure distributors for us and their respective sub-distributors. Such empowerment enables Li Ting to quickly expand the distribution network, which in turn reward Li Ting and her team in the form of discount, incentives and fees as well as service fees paid to Li Ting.

DISTRIBUTION ARRANGEMENT WITH OUR DISTRIBUTORS

Orders for Kunshan Tingshe Distributed Products are directly placed by the distributors through the Ordering System. We will only process and arrange delivery of products to the distributors based on the distributors’ orders and the distributors may then onward sell the products to the sub-distributors and/or the end consumers. While the sub-distributors can place their orders of the Kunshan Tingshe Distributed Products with distributors using the Ordering System, we do not enter into direct sales with the sub-distributors. The delivery of products to distributors, sub-distributors or their end consumers is arranged by us at the instruction of the relevant distributor or sub-distributor.

Kunshan Tingshe enters into distribution agreement with each distributor on our behalf as our Distribution Agent. Kunshan Tingshe is required to enter into distribution agreements with the distributors on the same terms and conditions as the distribution agreement template provided by us.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Salient terms of Kunshan Tingshe's distribution agreements with its distributors

The following summarizes the salient terms of Kunshan Tingshe's typical distribution agreements with the distributors:

Exclusivity: The distributor cannot sell any product comparable to Kunshan Tingshe Distributed Products.

Payment and delivery: The distributor should make full payment at the time of order placement and the delivery should be made within 30 days.

Sales and pricing: Distributors are required to follow our nationwide price guidelines when selling our products. The selling price can be adjusted in a particular local market with our consent.

Purchase deposits from distributors: In addition to the payment in full of the purchase price for orders of our products, distributors should pay an additional RMB40 per box of coffee to be purchased by them, as a refundable purchase deposit as security for their compliance of the contractual obligations imposed on the distributors, which shall be remitted to the Jointly-controlled Accounts. Such deposit is typically returned to the distributor the following month if no breach of contractual obligation has occurred.

Advertising

Distributors should strictly comply with the relevant PRC laws, regulations and not engage in any illegal, inappropriate, misleading and false advertising during the sales of products. Additionally, they should strictly follow our sales policies and procedures during the course of business and assess and guide the sub-distributors properly from time to time. Furthermore, any form of online or offline marketing campaigns/events which is held under our Company's name, whether related or unrelated to our business, is forbidden without prior written approval from the Distribution Agent.

Security deposit

Distributors are required to make a refundable security deposit of RMB10,000 with the Distribution Agent within five days upon the signing of the agreement. If the distributors engage in any misconduct such as unauthorized price adjustment, the Distribution Agent is entitled to deduct damages from the security deposit. Any security deposit that the distributor collected from sub-distributors shall be remitted to the bank account designated by the Distribution Agent; and will be refunded to the distributors upon the termination of the distributors' relationships.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Return policy

We accept unconditional product return within seven days of product delivery in accordance with the Law on the Protection of Consumer Rights and Interests provided that the returned products are in re-sellable condition (unwashed, unused and not damaged). We also accept returns for defective products within 30 days after delivery of the products subject to the distributors providing the relevant details and proofs.

Distributor's other responsibilities

The distributor is also required to, among other thing:

- comply with the applicable laws and regulations and obtain the relevant qualifications and certifications;
- refrain from making sales commitment or promises for product return unless required by law to sub-distributors;
- not to sell the products of third parties by using our distribution system; and
- attend mandatory training sessions and other sales and marketing events hosted by the Distribution Agent or our Company.

Distribution Agent's responsibilities

The Distribution Agent shall provide the distributors with marketing information and mandatory business trainings.

Term of contract

The term of agreement is generally one year and is automatically renewed for one year after the expiry date unless either party objects.

No minimum sales targets

As Kunshan Tingshe does not set any mandatory sales targets for the distributors and sub-distributors, the distribution agreements do not set any minimum purchase amount for the distributors.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

THE SUB-DISTRIBUTORS

We permit our distributors to engage sub-distributors during the ordinary course of business to extend their consumer reach. The sub-distributors are only permitted to sell our products to consumers and are prohibited from further engaging other distributors to conduct sales. We do not have direct contractual relationships with the sub-distributors and we manage these sub-distributors through our distributors, who have direct contractual relationship with the Distribution Agent and their respective sub-distributors.

We provide a sub-distribution agreement template to distributors which is substantively similar to the distribution agreement between the Distribution Agent and our distributors. We require our distributors to use this form agreement when they enter into a contractual relationship with their sub-distributors.

PRICING ARRANGEMENT AND DISCOUNTS, INCENTIVES AND FEES IN RELATION TO THE SALES OF KUNSHAN TINGSHE DISTRIBUTED PRODUCTS

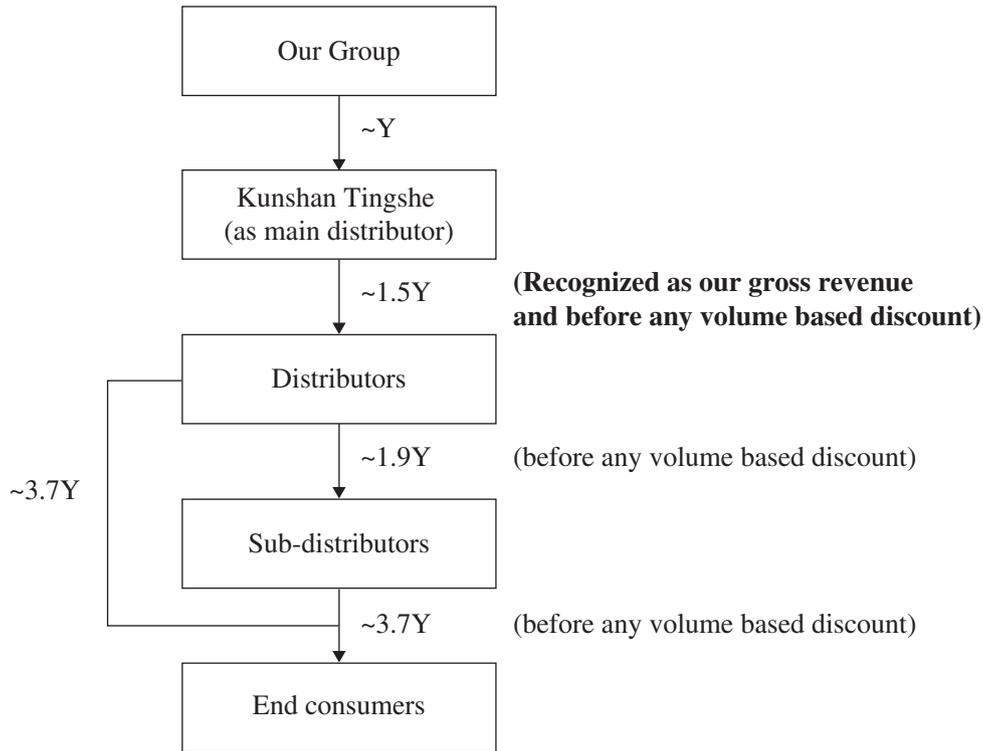
Pricing arrangement for sales from our Group to Kunshan Tingshe, distributors, sub-distributors and end consumers

We adopt similar pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products. We use *MODONG* coffee, being our largest revenue contributor, as example for illustrating our pricing arrangement and mechanism below. Both the unit selling price of the *MODONG* coffee that we sell to Kunshan Tingshe (“**our unit selling price to Kunshan Tingshe**” or denote it as “**Y**”) and the unit selling price of the *MODONG* coffee that Kunshan Tingshe sells to our distributors (“**Kunshan Tingshe’s unit selling price to our distributors**”) are determined by us and have been fixed throughout the Track Record Period. We also set the benchmark prices of the unit selling price of the *MODONG* coffee that our distributors sell to the sub-distributors (“**distributors’ benchmark unit selling price to the sub-distributors**”) and the unit selling price of the *MODONG* coffee that our distributors or the sub-distributors sell to the end consumers (“**benchmark unit selling price to end consumers**”).

Kunshan Tingshe’s unit selling price to our distributors is set at a fixed mark-up (the “**Fixed Mark-up**” or 0.5Y) of approximately 50% to our unit selling price to Kunshan Tingshe (i.e. approximately 1.5Y). In other words, the Fixed Mark-up is equal to approximately 34% of Kunshan Tingshe’s unit selling price to our distributors (i.e. $\sim 0.5Y/1.5Y = \sim 34\%$). Distributors’ benchmark unit selling price to the sub-distributors is approximately marked up 25% based on Kunshan Tingshe’s unit selling price to our distributors (i.e. $1.5Y \times 1.25 = 1.9Y$) before the application of certain volume-based discounts based on our discount guidance. Benchmark unit selling price to end consumers is approximately marked up 145% based on Kunshan Tingshe’s unit selling price to our distributors (i.e. $1.5Y \times 2.45 = 3.7Y$) before the application of certain volume-based discounts based on our discount guidance.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Set out below is a numerical illustration of the pricing policies from our Group to end consumers:



Note: Y is used as a denotation of our unit selling price to Kunshan Tingshe in this section only for the purpose of illustrating the relative amounts of the prices of *MODONG* coffee and related expenses under the Distribution Agent Distribution Model. The unit selling prices of *MODONG* coffee has been fixed throughout the Track Record Period.

The various mark-ups of selling prices between different levels mentioned above are used to mobilize Kunshan Tingshe, our distributors and the sub-distributors to promote and market our *MODONG* coffee. The mark-ups of selling prices between each level is in line with industry norm.

Discounts, incentives and fees to distributors and Li Ting

1. The Fixed Mark-up, which represents the surplus of Kunshan Tingshe's selling prices over that of our unit selling price to Kunshan Tingshe, is determined by us after consultation with Kunshan Tingshe and taking into account various discounts, incentives and fees required to be given by Kunshan Tingshe to promote the sales of the *MODONG* coffee and to expand the network of our distributors. In other words, the Fixed Mark-up is given to Kunshan Tingshe to cover the following items:

1.1 various volume discounts and incentives given to our distributors. Volume discounts are given to our distributors if they meet certain purchase targets in terms of the number of boxes of the *MODONG* coffee as pre-determined by us. Incentives will also

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

be given to distributors (“**Introducing Distributors**”) for their services provided to assist Kunshan Tingshe to for, amongst others, extending our distribution network by procuring new distributors (“**Procured Distributors**”), including their assistance and guidance provided to the Procured Distributors in relation to our products and marketing strategies. Such discounts and incentives amounted to approximately 20–24% of Kunshan Tingshe’s gross sales for the years ended December 31, 2019, 2020, 2021 and 2022 (i.e. approximately 20–24% of 1.5Y); and

- 1.2 sales volume based fees are given to a few distributors as selected by Kunshan Tingshe (according to certain criteria including the distribution network they assisted to develop, and the number of distributors they referred to Kunshan Tingshe) to provide services to assist Kunshan Tingshe in promoting the sales of the *MODONG* coffee and expanding the distribution network in order to incentivize the Selected Distributors to promote sales through the distribution networks which they assisted to develop. Such sales volume based fees to Selected Distributors amounted to approximately 3–4% of Kunshan Tingshe’s gross sales for 2020 (i.e. approximately 3–4% of 1.5Y) as the Selected Distributors achieved a high completion rate of the sales targets. In 2021 and 2022, as the sale volume of the *MODONG* coffee by the Selected Distributors had decreased, thereby lowering the sale volume based fees to 1.4% and 1.0% of Kunshan Tingshe’s gross sales for 2021 and 2022, respectively (i.e. approximately 1.4% and 1.0% of 1.5Y).

The volume discounts, incentives and fees to our distributors as mentioned in the above items (1.1) to (1.2) are subject to our Group’s review and approval and are considered as payments to customers under HKFRS 15 and they are net off with revenue accordingly. For more details, please refer to the section headed “Financial information – Description of major components of our results of operations – Revenue from new retail business” in this prospectus.

2. Kunshan Tingshe shall be entitled to use the entire remaining balance of the Fixed Mark-up after deducting the above items (1.1) and (1.2) (“**Remaining Balance of the Fixed Mark-up**”) to cover its operating costs, including but not limited to, payment of fee to Li Ting or company(ies) controlled or designated by Li Ting (“**Service Fee to Li Ting**”) for her services provided to Kunshan Tingshe in managing Kunshan Tingshe and the network of distributors and sub-distributors, marketing and promotion expenses and employee benefit expenses.

The Service Fee to Li Ting is directly linked to the sales performance of *MODONG* coffee and accordingly is based on the total boxes of the *MODONG* coffee sold by us to our distributors multiplied by a fixed unit fee, which amounted to approximately 3% to 4% of Kunshan Tingshe’s gross sales for 2019, 2020, 2021 and 2022 (i.e. approximately 3% to 4% of 1.5Y).

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

We believe the success of building, expanding and maintaining our Group's extensive distribution network is mainly contributable to Kunshan Tingshe's development and management thereof, which is carried out through the leadership of Li Ting. Accordingly, we consider a service fee shall be paid to Li Ting in order to (i) recognize the soft skills brought by Li Ting; and (ii) ensure her continuous effort to maintain and even expand our distribution network. The Service Fee to Li Ting was negotiated and determined taking into account, among others, our assessment to secure a reasonable margin on product sold, Li Ting's role in Kunshan Tingshe and her expected compensation. Our Directors are of the view that it is not uncommon in the industry that social e-commerce companies to pay a certain amount of fees to its distribution agent and/or key personnel of its distribution agent to incentivize them.

Additional incentive fee to Kunshan Tingshe

In order to further incentivize and motivate Kunshan Tingshe to put more effort in developing and expanding our distribution network, starting from 2020, we agreed to pay sales incentives to Kunshan Tingshe ("**Additional Incentive Fee to Kunshan Tingshe**") based on the total boxes of *MODONG* coffee sold if minimum sales targets of 2,000,000 boxes, 3,000,000 boxes and 2,800,000 boxes can be achieved in 2020, 2021 and 2022, respectively. In 2020, the sales incentive was RMB5 per box for the first 2,000,000 boxes and RMB8 per box for each box exceeding 2,000,000 boxes. In 2021, the sales incentive was RMB5 per box for the first 3,000,000 boxes and RMB7 per box for each box exceeding 3,000,000 boxes. In 2022, the sales incentive was RMB5 per box for the first 2,800,000 boxes and RMB7 per box for each box exceeding 2,800,000 boxes. The above sales targets are simply the indication for entitlement of the Additional Incentive Fee to Kunshan Tingshe, instead of being mandatory sales targets to be achieved whereby the failure of which would result in either termination of our relationship therewith or any penalty being imposed thereon.

ACCOUNTING TREATMENT IN RELATION TO THE SALES OF THE KUNSHAN TINGSHE DISTRIBUTED PRODUCTS

Before the disposal of Kunshan Tingshe on May 31, 2020, Kunshan Tingshe was our subsidiary and therefore all its sales, cost of sales as well as all operating costs (after inter-companies eliminated) were consolidated in our Group's consolidated financial statements. In particular,

- (A) our Group's consolidated sales of the *MODONG* coffee were equal to the sales of Kunshan Tingshe (i.e. Kunshan Tingshe's unit selling price to our distributors, or 1.5Y), net of the discounts, incentives and fees to distributors as mentioned in the above items (1.1) and (1.2) (which actually represent the discounts, incentives and fees given to distributors by our Group as Kunshan Tingshe was part of our Group);

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

(B) all the cost of sales as well as all operating costs (after inter-companies eliminated) were consolidated as part of the related costs or expenses of our Group. In particular, the Service Fee to Li Ting (which is part of such operating costs of Kunshan Tingshe) was recorded as part of the selling and marketing expenses of our Group; and

(C) the Additional Incentive Fee to Kunshan Tingshe which was paid by our Group (excluding Kunshan Tingshe) was eliminated upon consolidation.

The accounting treatments in relation to the sales and various components of the Fixed Mark-up are substantially the same after the disposal of Kunshan Tingshe, except for the Additional Incentive Fee to Kunshan Tingshe from our Group which would not be eliminated and consolidated, and is recorded as part of the operating costs of our Group.

Based on the above, the gross and net sales of the Kunshan Tingshe Distributed Products during the Track Record Period remain the same both before and after the disposal of Kunshan Tingshe, which are summarized below with reference to the above explanations:

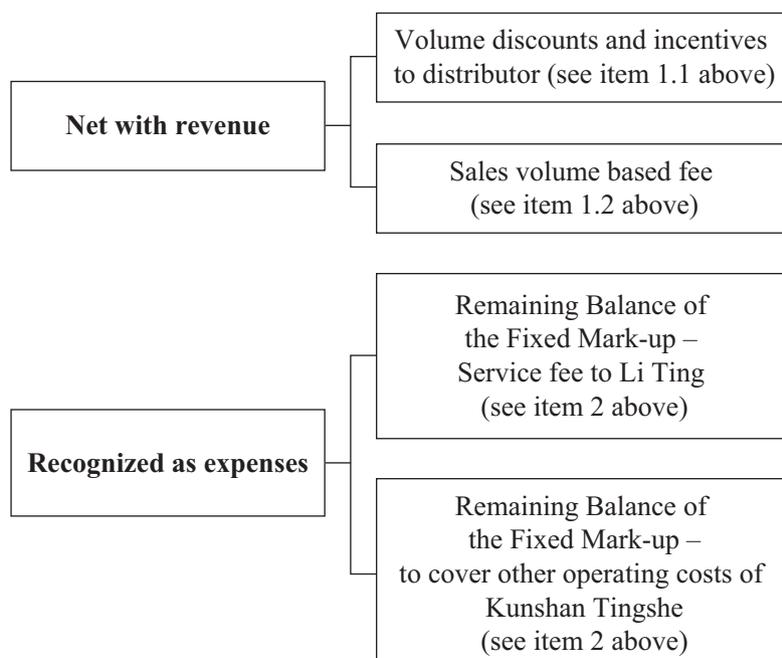
| | | Year ended December 31, | | | | | | | |
|--|-----|---------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | | % to our | | % to our | | % to our | | % to our | |
| | | gross | | gross | | gross | | gross | |
| | | 2019 | sales | 2020 | sales | 2021 | sales | 2022 | sales |
| Notes | | <i>(in RMB thousands)</i> | | | | | | | |
| Gross revenue | (a) | 90,319 | 100.0% | 467,926 | 100.0% | 331,441 | 100.0% | 222,557 | 100.0% |
| Volume discounts and incentives to our distributors | (b) | (18,425) | 20.4% | (111,893) | 23.9% | (72,425) | 21.9% | (52,673) | 23.7% |
| Sales volume based fees to the Selected Distributors | (c) | - | - | (15,260) | 3.3% | (4,669) | 1.4% | (2,221) | 1.0% |
| Revenue recognized by our Group | (d) | <u>71,894</u> | <u>79.6%</u> | <u>340,773</u> | <u>72.8%</u> | <u>254,347</u> | <u>76.7%</u> | <u>167,663</u> | <u>75.3%</u> |

Notes:

- (a) Based on Kunshan Tingshe's unit selling price to our distributors of approximately 1.5Y.
- (b) Based on discounts and incentives to distributors as mentioned in the above item (1.1).
- (c) Based on the sales volume based fees to distributors as mentioned in the above item (1.2).
- (d) Represented the revenue recognized by our Group in respect of the sale of the Kunshan Tingshe Distributed Products through Kunshan Tingshe.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Illustration of the accounting treatment of the Fixed Mark-up (i.e. based on 0.5Y or 34% of 1.5Y)



Set out below is an analysis of the Fixed Mark-up during the Track Record Period:

| | | Year ended December 31, | | | | | | | |
|---|-----------------|--|-----------------|------------------------------------|--------------|------------------------------------|--------------|------------------------------------|--------------|
| | | % to our gross 2019 sales | | % to our gross 2020 sales | | % to our gross 2021 sales | | % to our gross 2022 sales | |
| <i>Notes</i> | | <i>(in RMB thousands)</i> | | | | | | | |
| To offset revenue as shown above | | | | | | | | | |
| | | Volume discounts and incentives to distributors | | | | | | | |
| (a) | 18,425 | 20.4% | 111,893 | 23.9% | 72,425 | 21.9% | 52,673 | 23.7% | |
| | | Sales volume based fees to the Selected Distributors | | | | | | | |
| (b) | – | – | 15,260 | 3.3% | 4,669 | 1.4% | 2,221 | 1.0% | |
| Recognized as expenses | | | | | | | | | |
| | | Remaining Balance of Fixed Mark-up | | | | | | | |
| (c) | 3,290 | 3.6% | 17,957 | 3.8% | 12,913 | 3.9% | 7,389 | 3.3% | |
| | | – Service Fee to Li Ting | | | | | | | |
| | | – To cover other operating costs of Kunshan Tingshe | | | | | | | |
| | 9,060 | 10.0% | 18,347 | 3.9% | 25,779 | 7.8% | 15,595 | 7.0% | |
| | <i>(Note d)</i> | <i>(Note e)</i> | <i>(Note d)</i> | | | <i>(Note e)</i> | | <i>(Note e)</i> | |
| Total of Fixed Mark-up | (f) | <u>30,775</u> | <u>34.0%</u> | <u>163,457</u> | <u>34.9%</u> | <u>115,786</u> | <u>34.9%</u> | <u>77,878</u> | <u>35.0%</u> |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Notes:

- (a) Based on discounts and incentives to distributors as mentioned in the above item (1.1).
- (b) Based on the sales volume based fees to distributors as mentioned in the above item (1.2).
- (c) The Remaining Balance of the Fixed Mark-up are the amounts as mentioned in the above item (2).
- (d) For the year ended December 31, 2019 and for the five months ended May 31, 2020, the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe of RMB9.1 million and RMB9.9 million respectively were eliminated on consolidation in preparing our consolidated financial statements and such other operating costs of Kunshan Tingshe were consolidated in our financial statements.
- (e) The percentage of the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe to our gross sales was relatively higher in 2019 since we allocated more costs on the establishment of the distribution network in the first year of sales of *MODONG* coffee as its sales volume was relatively low and we were still introducing it to the market. In 2021 and 2022, we recorded a higher percentage of the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe, mainly because the sale of *MODONG* coffee decreased in the two years ended December 31, 2022, which resulted in the decrease in (i) the volume discounts and incentives to distributors; and/or (ii) the sales volume based fees to the Selected Distributors, which was determined with reference to the completion rate of predetermined sales targets.
- (f) Notwithstanding that the Fixed Mark-up should be approximately 34% of Kunshan Tingshe's unit selling price to our distributors as illustrated above, there is a slight variation from the 34% during the Track Record Period as we might from time to time (i) offer promotion activities to sell *MODONG* coffee together with our other products in a bundle, or vice versa. For instance, our skincare products and *MODONG* coffee may be packaged as a bundle to promote our sales. As a result, the selling price and gross revenue of our Kunshan Tingshe Distributed Products is adjusted with fair value allocation in accordance with HKFRS 15; and (ii) organize certain activities or campaign where our *MODONG* coffee and the ancillary products are directly sold through Kunshan Tingshe to the end consumers without involving payment of discounts, incentives and fees to distributors.

As illustrated in the above table, part of the Fixed Mark-up covering the volume discounts and incentives and sales volume-based fees to be granted to distributors represented discounts, incentives and fees paid by our Group to the distributors through Kunshan Tingshe and are therefore not regarded as services fees to Kunshan Tingshe. On the other hand, the Remaining Balance of the Fixed Mark-up for covering the Service Fees to Li Ting and other operating costs of Kunshan Tingshe are regarded as service fees to Kunshan Tingshe for promotion and marketing of the Kunshan Tingshe Distributed Products, including *MODONG* coffee, by developing, expanding and managing our distribution network.

The Additional Incentive Fee to Kunshan Tingshe from our Group amounted to approximately RMB19.5 million for 2020, which amounted to approximately 4.2% of our gross sales for 2020. Of the aforesaid RMB19.5 million incurred in 2020, RMB7.8 million was the fee paid for the five months ended May 31, 2020 and was therefore eliminated on consolidation in preparing of our Group's financial statements. We did not pay any Additional Incentive Fee to Kunshan Tingshe in 2021 and 2022 as the sale volume of *MODONG* coffee through Kunshan Tingshe in 2021 and 2022 did not meet the respective prescribed threshold for the Additional Incentive Fee to Kunshan Tingshe.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

SETTLEMENT ARRANGEMENT AMONG OUR GROUP, KUNSHAN TINGSHE AND OUR DISTRIBUTORS

Immediately before and after our disposal of Kunshan Tingshe, Kunshan Tingshe has been primarily responsible for receiving prepayments for sales (based on Kunshan Tingshe's unit selling price to our distributors i.e. approximately 1.5Y) from our distributors through its bank account. After retention of the Fixed Mark-up (i.e. 0.5Y) by Kunshan Tingshe, it will transfer the related amount of sales (i.e. Y) from its bank accounts to the bank accounts of Kunshan Star Plus Action.

Our Directors consider that it is commercially reasonable to continue with the above settlement arrangement after the disposal of Kunshan Tingshe. Thus, we entered into one of the Jointly-controlled Accounts Agreements with Kunshan Tingshe, pursuant to which the Jointly-controlled Account, which was designated for the receipt of payments for the Kunshan Tingshe Distributed Product from the distributors. For further details on the Jointly-controlled Account and the security deposit, please refer to the paragraph headed "Control measures against risk of default of Kunshan Tingshe – (a) Jointly controlled Accounts" in this section.

We see through Kunshan Tingshe for recording prepayments from our distributors from accounting perspective, which means that the prepayments from our distributors to Kunshan Tingshe are regarded as our contract liabilities, both before and after the disposal of Kunshan Tingshe. Any balance of prepayments from our distributors kept in the Jointly-controlled Accounts which has yet to be transferred to our bank accounts, net of RMB50 million security deposit, is recorded as amount due from a third party after the disposal of Kunshan Tingshe.

To further lower our credit risk in respect of the fund in the Jointly-controlled Accounts which have not been transferred to our Group, in or around September 2022, Kunshan Tingshe and our Group agreed to accelerate the settlement of prepayment received in the Jointly-controlled Accounts. On October 31, 2022, we entered into a supplemental agreement with Kunshan Tingshe, pursuant to which Kunshan Tingshe shall transfer the amount payable to us in respect of the prepayment received from the distributors on the working day immediately following the date of such prepayment commencing from November 2022 and Kunshan Tingshe would no longer be required to maintain with us the security deposit of RMB50.0 million. Upon the implementation of the aforesaid settlement arrangement, the amounts due from Kunshan Tingshe to our Group has been reduced to a relatively low level. As of December 31, 2022, there was no amount due from Kunshan Tingshe and the balance of the Jointly-controlled Accounts was RMB1.3 million.

THE ENGAGEMENT OF KUNSHAN JIAMENG BY KUNSHAN TINGSHE

Circumstances leading to the engagement of Kunshan Jiameng

As we are considered to be a pioneer in relation to our social e-commerce operation for sales of our products, i.e. sales of our products under the Distribution Agent Assisted Distribution Model through vast number of distributors, being individuals, via e-commerce channels, we were treated by Kunshan AMR as a social e-commerce pilot enterprise to participate in the Kunshan Pilot Program, in particular, through the development of relevant policies, laws and regulations regarding the operation of individuals/entities in the social e-commerce industry. Our Group has maintained close communication with the local government authorities in Kunshan to seek guidance from the government authorities on a regular basis to ensure our business model (including the operations of our distributors) complies with the relevant laws and regulations. Kunshan AMR has carried out pioneering work in data sharing and cooperation with entities in Kunshan Pilot Program for the purposes of encouraging social e-commerce industry players to conduct their businesses in the legally recognized manner. Based on our understanding from communication with local government authorities, the local government authorities encouraged the engagement of independent and professional service provider(s) to assist each social e-commerce enterprise in the Kunshan Pilot Program to ensure the operations of individuals involved in operations of such social e-commerce enterprise to comply with the relevant laws and regulations.

Pursuant to the E-Commerce Law, our distributors are required to be registered as Individual Proprietor or corporate entities. Further, the relevant authorities requested our distributors to use a commercial premises as the registered address for business registration (the “**Registered Address**”). Even though there will not be any legal implication on us even if our distributors did not comply with the E-Commerce Law, after being aware of such requirements under the E-Commerce Law, we explored the possibility of assisting our distributors to complete the registration process in order to ensure that they are in compliance with all applicable laws and regulations. During such process, we noticed certain obstacles were faced by our distributors, for example, it is practically infeasible for distributors to have their own Registered Address solely for the purpose of completing the registration and fulfilling applicable regulatory requirements as mentioned above.

In order to resolve the issues faced by our distributors in compliance with the relevant laws and regulations, in April 2020, a meeting (the “**KDRC Meeting**”) was organized by Kunshan Development and Reform Commission. Representatives of various government authorities (including Kunshan AMR), Kunshan Jiabao (i.e. the property developer of Dream World Park (夢世界園區), the business hub where our office is located at) and our Group, amongst others, had attended the KDRC meeting. We understand that, upon conclusion of the KDRC Meeting, the Kunshan local government authorities recommended and agreed that separate entities/individuals should be involved in different parts of the social e-commerce operation, i.e. (i) our Group shall focus on the planning and research and development of new products and brands as well as the planning and development of IP content and its licensing; (ii) Kunshan Tingshe shall focus on its operation of expanding the distribution network; and (iii) a separate

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

entity should act as a bridge between government authorities and participants in the social e-commerce industry to ensure such participants (i.e. our distributors) are properly supervised and comply with applicable laws and regulations in a timely and effective manner (i.e. an entity with roles and responsibilities similar to Kunshan Jiameng). As Kunshan Tingshe did not have the relevant experience and expertise in handling the regulatory related matters for our distributors, it engaged Kunshan Jiameng as a service provider to provide the relevant administrative and regulatory supports.

Background of Kunshan Jiameng and its shareholder

Mr. Li Yi (李軼) (“**Mr. Li**”), being the controlling shareholder of Kunshan Jiameng, was invited by Kunshan Jiabao to attend the KDRC Meeting given his past experience in dealing with the Kunshan Tax Bureau and Kunshan Industry and Commerce Bureau when handling tax-related matters and providing consultancy and regulatory compliance services, which has laid the foundation for him to assume the roles and responsibilities to be provided by Kunshan Jiameng.

Mr. Li was the general manager of Kunshan Qiye Investment Consulting Co., Ltd.* (昆山啟業投資諮詢有限公司) and the consultant of Haichuang Consulting (Suzhou) Co., Ltd.* (海創諮詢(蘇州)有限公司), which were all principally engaged in the provision of business consultation services to customers which are mainly small to medium enterprises covering different industries (such as advising on the form of entity each business should establish based on their specific circumstance, assisting businesses on the relevant registration process, and compliance with the filing and reporting requirements of tax authorities and industry and commerce bureau) from 2016 to 2020 (immediately before the establishment of Kunshan Jiameng). From 2012 to 2016, Mr. Li worked in a property development company under Kingboard Holdings Limited (stock code: 148) where he was in charge of fiscal and taxation management, and such role required him to have a thorough understanding of the relevant taxation policies and regulatory framework as well as frequent communication with government authorities (especially the tax bureau). Mr. Li’s previous roles required him to maintain frequent communication with local government authorities to ensure that both sides’ interpretation of the local policies, such as tax, are aligned, and the good working relationship with the local government authorities made his advisory work more efficient. Mr. Li’s connections and previous experience (especially the provision of consultancy and regulatory compliance services) has laid the foundation for him to set foot in assuming Kunshan Jiameng’s role, particularly in providing advisory services to our distributors and verifying and releasing fees payable to them.

In March 2022, Kunshan Jiameng was officially recognized by Jiangsu Kunshan Huaqiao Economic Development Zone Management Committee* (江蘇昆山花橋經濟開發區管理委員會) as a third party service provider to assist social e-commerce enterprises or participants in the Kunshan Digital E-Commerce Business Hub* (巨星數字電商產業園) within Kunshan Pilot Zone in their operations in accordance with the relevant laws and regulations, and in good faith by reporting the latest industry development to the relevant governmental authority(ies) regularly.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

The roles and responsibilities of Kunshan Jiameng

Led by Mr. Li, Kunshan Jiameng provides administrative and regulatory support to Kunshan Tingshe and our distributors, most of whom are individuals with limited knowledge on legal and regulatory requirements, such as registration as Individual Proprietor and/or tax filings. Kunshan Jiameng also acts as a bridge between local government authorities for the Kunshan Pilot Program and Kunshan Tingshe in relation to distributors' compliance matters, so that Kunshan Tingshe and distributors would be informed of any regulatory updates in a timely manner.

Prior to our disposal of Kunshan Tingshe, Kunshan Tingshe's operation was supported by our Group where we provided human resources, office and administrative support to Kunshan Tingshe. Since Kunshan Tingshe has been operating separately from us after its disposal, in addition to being responsible for providing regulatory support, Kunshan Jiameng also provides other administrative supports to Kunshan Tingshe to execute both offline and online advertising and promotional activities for the development of the distribution network.

To the best of our Directors' knowledge and belief, Kunshan Tingshe entered into an agreement with Kunshan Jiameng in June 2020, pursuant to which Kunshan Tingshe engaged Kunshan Jiameng to provide administrative and supportive in relation to the management of the distribution network. Please refer to the paragraph headed “– Roles and responsibilities of our Group, Kunshan Tingshe and Kunshan Jiameng” in this section below.

Monitoring the tax filings of our distributors by Kunshan Jiameng

One of the major roles of Kunshan Jiameng is to assist our distributors in their tax filings. Our distributors have generally authorized Kunshan Jiameng to arrange registration of the account (“**Tax Account**”), which such distributors use for tax filing with the PRC tax authority, as well as authorize and grant Kunshan Jiameng to gain access and operate their respective Tax Accounts.

As Kunshan Tingshe would share the sales data withdrawn from the Ordering System with Kunshan Jiameng each month, Kunshan Jiameng would be able to assist Kunshan Tingshe in calculating the volume discounts and incentives to be granted to our distributors based on such shared sales data. Thus, Kunshan Jiameng can confirm with each of our distributors the exact amount of volume discount and incentives to be granted to each of them by cross-checking the sales data generated from the Ordering System against the sales orders provided by our distributors with respect to those orders placed by them during that particular month.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

After Kunshan Jiameng has confirmed the volume discounts and incentives that our distributors are entitled to, Kunshan Jiameng would normally (i) inform our distributors the amount of volume discounts and incentives that the relevant distributors would be entitled to during that particular month; and (ii) log in the relevant distributor's Tax Account, and use such Tax Account to issue invoice (“**Invoice**”) in the name of such distributor on their behalf to Kunshan Jiameng (i.e. issuances of invoices on behalf of our distributors), after that Kunshan Jiameng would arrange payment of the relevant volume discounts and incentives to our distributors according to the Invoices.

The records of the Invoices that are made by Kunshan Jiameng on behalf of our distributors in their respective Tax Accounts as mentioned above are also considered as Kunshan Jiameng providing assistance to our distributors in recording the discounts and incentives received by them with respect to their sales of Kunshan Tingshe Distributed Products in their respective Tax Accounts (i.e. record keeping of the volume discounts and incentives received by the Group's distributors with respect to their sales of Kunshan Tingshe Distributed Products). Such arrangement is to ensure our distributors have properly reported the appropriate taxable amount to the local government in accordance with all the relevant PRC laws and regulations. With respect to the onward retail sales of our products from our distributors to their customers, each of our distributors would be the only responsible party for the reporting of appropriate taxable amount to the local tax authority and the issuance of invoices. As (1) approximately 85% of our distributors are Individual Proprietors; and (2) their operation scale are relatively small, they would be subject to tax based on deemed income basis pursuant to the relevant PRC laws and regulations. Accordingly, their income tax with respect to their onward retail sales to their customers would be calculated based on a deemed income basis with reference to their operation scale.

As the transactions between our distributors and their customers are relatively simple, as compared to the transactions between Kunshan Tingshe and our distributors, the related tax compliance matters are considered to be straightforward. Thus, given Kunshan Jiameng is not involved in the transactions between our distributors and their customers, unlike the above mentioned arrangement, Kunshan Jiameng would not report the appropriate taxable amount of our distributors on their behalf to the local tax authority and the issuance of invoices on behalf of our distributors with respect to their onward retails to their customers. However, Kunshan Jiameng would give advice to our distributors on their compliance of the relevant PRC laws and regulations by answering their enquiries (if any) and providing assistance if it is requested by our distributors.

The arrangement between Kunshan Tingshe and Kunshan Jiameng is in line with the directive put forward at the KDRC Meeting by local government authorities.

Payment arrangement between Kunshan Tingshe and Kunshan Jiameng

In consideration of, and for the purpose of providing the necessary funds for, the administrative and supportive services provided by Kunshan Jiameng as well as payments of volume discounts, incentives and fees to our distributors and Li Ting on behalf of Kunshan

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Tingshe, Kunshan Tingshe shall make payments to Kunshan Jiameng based on the sale volume of the Kunshan Tingshe Distributed Products (the “**Payments to Jiameng**”). In particular with respect to the sale of *MODONG* coffee through Kunshan Tingshe, the Payments to Jiameng payable by Kunshan Tingshe is determined with reference to the sale of each box of *MODONG* coffee and is equal to approximately 73% of the Fixed Mark-up (i.e. $0.5Y \times 73\% = \sim 0.38Y$), which is financed out of the Fixed Mark-up received by Kunshan Tingshe from us (i.e. 0.5Y). During the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022, based on the sale of the Kunshan Tingshe Distributed Products, the Payments to Jiameng amounted to RMB62.6 million, RMB90.4 million and RMB27.0 million, respectively.

The Payments to Jiameng are for Kunshan Jiameng to make the payments on behalf of Kunshan Tingshe for (i) certain discounts, incentives and fees to our distributors and Li Ting; and (ii) the expenses for marketing and advertising activities for the development of the distribution network undertaken under the instruction of Kunshan Tingshe which will be borne and paid by Kunshan Jiameng as part of Kunshan Jiameng’s responsibility to assist Kunshan Tingshe. To our best knowledge, information and belief, such payment arrangement regarding item (i) above is to assist the local government to supervise whether the distributors and Li Ting have properly prepared their respective tax filings and discharge their respective tax obligation in accordance with the relevant laws and regulations.

After the payments of the above items (i) and (ii), the remaining amount represents the service fees to Kunshan Jiameng. Kunshan Tingshe will monitor the amounts of the above items (i) and (ii) from time to time such that the resulted services fees to Kunshan Jiameng will be at the intended rate of approximately 5% of the Payments to Jiameng (i.e. approximately RMB2.8 million, RMB4.1 million and RMB1.2 million respectively during the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 based on the aforesaid respective amounts of Payments to Jiameng during the respective year).

There are other service providers in the PRC which provide services that are similar to that of Kunshan Jiameng (“**Other Service Providers**”). Such Other Service Providers principally provide consolidated administrative works for a large group of dispersed participants who contribute services (“**Participants**”) to the clients of the Other Service Providers (“**Clients**”). The Other Service Providers’ service fee ranges from 5% to 10% of the total monthly sum payable from the Clients to the Participants, which may vary depending on the industry nature and scale of the Clients. Based on the foregoing, our Directors are of the view that the service fee charged by Kunshan Jiameng and the total monthly amount settled by it on behalf of Kunshan Tingshe is comparable to the market rates.

To the best knowledge, information and belief of our Directors, to facilitate Kunshan Jiameng in providing its services, Kunshan Tingshe would transfer the Payments to Jiameng on a prepayment basis based on the estimated sales of the Kunshan Tingshe Distributed Products. Kunshan Tingshe and Kunshan Jiameng would subsequently confirm and settle the amounts (including the service fees to Kunshan Jiameng) based on the actual orders placed by the distributors. During the year ended December 31, 2020 and 2021 and the six months ended June

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

30, 2022, the net amounts transferred by Kunshan Tingshe to Kunshan Jiameng was RMB71.4 million, RMB121.6 million and RMB53.4 million, respectively.

Size of operation of Kunshan Jiameng

As at December 31, 2022, Kunshan Jiameng had 10 staff being responsible for the above roles, and it did not provide any similar services to its other clients, save as Shouwang Xingguang. Apart from the above services provided to Kunshan Tingshe, Kunshan Jiameng mainly engages in provision of consultation services, design, production and publication of advertisements. To the best knowledge, information and belief of our Directors, the following table sets forth certain key financial information of Kunshan Jiameng for the year/period indicated:

| | For the year ended December 31, | | For the six months ended |
|-----------------------|------------------------------------|-------------|-----------------------------|
| | 2020 | 2021 | June 30, 2022 |
| | <i>(in RMB thousands)</i> | | |
| | (unaudited) | (unaudited) | (unaudited) |
| Revenue <i>(Note)</i> | 39,185 | 97,461 | 40,112 |
| Gross profit | 3,362 | 6,759 | 2,469 |
| Net profit/(loss) | 1,883 | (357) | 841 |

Note: The revenue of Kunshan Jiameng was primarily attributable to the services provided to Kunshan Tingshe which was recorded on a gross basis including, among other things, the Payments to Jiameng for settlement of certain discounts, incentives and fees to our distributors and Li Ting; and (ii) the expenses for marketing and advertising activities for the development of the distribution network. The difference between the revenue of Kunshan Jiameng as discussed above and the Payments to Jiameng of approximately RMB62.6 million, RMB90.4 million and RMB27.0 million as recorded in Kunshan Tingshe's book was primarily attributable to cut-off adjustments arising from the fact that the revenue of Kunshan Jiameng were recorded on cash basis or partial accrual basis and were not recognized in accordance with HKFRS. As advised by management of Kunshan Jiameng, the revenue recognized in its management account was based on (i) the invoice issued by Kunshan Jiameng to Kunshan Tingshe; and (ii) for transaction that invoice was yet to be issued by Kunshan Jiameng, the management's estimation of the accrued revenue. On the other hand, the Payments to Jiameng were recognized by Kunshan Tingshe in accordance with applicable HKFRS when such relevant expenses were incurred. The management has reconciled such expenses relating to the goods sold to customers with the delivery record to confirm that such expenses have been properly recorded in correct period.

Our Directors confirm, and the Sole Sponsor concurs, that, throughout the Track Record Period, there was no cost or expense that was incurred by Kunshan Tingshe and/or Kunshan Jiameng in respect of the distribution of our products which had not been properly taken up or recorded in our financial statements in accordance with the contractual and business relationship between (i) our Group and Kunshan Tingshe; and/or (ii) Kunshan Tingshe and Kunshan Jiameng.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Companies providing similar services as Kunshan Jiameng

Based on the administrative directive issued by the Jiangsu Kunshan Huaqiao Economic Development Zone Management Committee in March 2022 (“**Administrative Directive**”), Kunshan Guozhen Enterprise Management Company Limited* (昆山國臻企業管理有限公司), (“**Service Provider A**”) and Kunshan Hanhong Technology Investment Development Company Limited* (昆山瀚泓科技園投資發展有限公司) (“**Service Provider B**”) are the other two service providers in addition to Kunshan Jiameng recognized by Jiangsu Kunshan Huaqiao Economic Development Zone Management Committee* (江蘇昆山花橋經濟開發區管理委員會) to assist the other two groups of e-commerce enterprises and related entities/individuals engaging in e-commerce business at the other two business hubs in Kunshan Digital E-commerce Business Hub* (巨星數字電商產業園) within Kunshan Pilot Zone. Based on the Administrative Directive, the main role of each of Service Provider A, Service Provider B and Kunshan Jiameng is to assist with the regulation of entities/individuals engaging in e-commerce business for the local government authorities. To the best of our Directors’ knowledge and belief, customers of Service Provider A are mainly e-commerce enterprises with relatively larger scale of operation. Thus, Service Provider A is not requested by its customers to provide some services similar to those provided by Kunshan Jiameng, i.e. coordinating and facilitating the execution of the advertising and promotional activities/events contemplated by Kunshan Tingshe and verifying, and arranging settlement.

Although the services provided by Service Provider A are not exactly the same as that of Kunshan Jiameng, based on the main role of each of Service Provider A, Service Provider B and Kunshan Jiameng as set out in the Administrative Directive, as well as the basis set out below, our Directors are of the view that the core value and the roles of Service Provider A and Service Provider B are to provide support and assistance to enterprises engaging in e-commerce business at the other two business hubs in Kunshan Pilot Zone in relation to (i) the compliance with the applicable registration and tax requirements; and (ii) liaison with the local government authorities, and thus are substantially the same as the ones of Kunshan Jiameng:

1. based on a press release of the Kunshan Huaqiao Economic Development Zone Administration Committee* (昆山花橋經濟開發區管理委員會) dated June 28, 2022, customers of Service Provider A are mainly mid-to-large size enterprises. As they are comparatively sizable than our Group’s distributors, which are mainly small scale business operators, it is reasonable that Service Provider A is not engaged to provide administrative support services similar to those provided by Kunshan Jiameng; and
2. all of Kunshan Jiameng, Service Provider A and Service Provider B act as a bridge between local government authorities in Kunshan Pilot Zone and the three respective groups of e-commerce enterprises and related entities engaging in e-commerce business at the respective business hubs in Kunshan Pilot Zone for compliance matters.

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

Apart from the above mentioned Service Provider A and Service Provider B, there are the Other Service Providers. The Clients normally engage a large group of Participants who are not their employees in producing goods or providing services that such Clients require, which is similar to the arrangement between our Group and our distributors and sub-distributors with respect to the sales of Kunshan Tingshe Distributed Products. The services provided by the Other Service Providers normally include (i) verifying amount payable to the Participants by the Clients; (ii) paying such amount to such Participants on behalf of the Clients thereafter; and (iii) assisting the Participants in compliance matters (e.g. tax filing, book-keeping and filings with the SAMR etc.). The Other Service Providers would assist the Clients in calculating the amounts payable to the Participants. The Clients would transfer the aggregate amount that both Other Service Providers and the Participants are entitled to on a monthly basis. Upon receipt of such amount, the Other Service Providers would confirm and check with each Participant that the amount payable thereto as represented by the Clients is the same as the amount that such Participants have in mind. Our Directors are of the view that such services provided by the Other Service Providers are comparable to that of Kunshan Jiameng.

ROLES AND RESPONSIBILITIES OF OUR GROUP, KUNSHAN TINGSHE AND KUNSHAN JIAMENG

The below table summarizes the respective roles and responsibilities of each of our Group, Kunshan Tingshe and Kunshan Jiameng in relation to the Kunshan Tingshe Distributed Products, where (i) our Group generally serves as the brand owner which focuses on product development and brand building, (ii) Kunshan Tingshe generally serves as our Distribution Agent which focuses on the manner and effectiveness of the sales of Kunshan Tingshe Distributed Products by our distributors and their sub-distributors, and (iii) Kunshan Jiameng mainly provides support to Kunshan Tingshe and monitors the compliance of our distributors with the applicable laws and regulations.

| | Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---------------------|---|-----------------|---|
| Product development | <ul style="list-style-type: none"> - Conduct product and market research - Engage independent third party(ies) to co-develop new products - Introduce new products | - | <ul style="list-style-type: none"> - Provide our Group with end consumers' feedback on the use of our products |
| | | | N/A |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---|---|--|
| <p>Development and management of distribution network</p> | <p>- Determine the pricing policies, including discounts, incentives and fees, in relation to the sales of Kunshan Tingshe Distributed Products and additional incentives payable to Kunshan Tingshe to motivate Li Ting and distributors to expand our distribution network</p> <p>- Provide guidance to our distributors in organizing distributors promotion meetings</p> <p>- Assist us in organizing annual events by inviting our distributors and their sub-distributors to join such annual events</p> <p>- Monitor the performance of our distributors, e.g. how our distributors sell the Kunshan Tingshe Distributed products to sub-distributors or end consumers (where applicable) and whether our distributors set price in violation of pricing guidelines sets by us</p> | <p>- Provide guidance to our distributors as to how to register themselves as Individual Proprietors or companies (where applicable) and answer any compliance-related enquiries from our distributors from time to time in order to ensure their compliance with relevant PRC laws and regulations</p> <p>- Assist our distributors to perform general record keeping and to issue the invoices on behalf of our distributors</p> <p>- Assist our distributors in preparing tax filing to the governmental authority in relation to the discounts, incentives and fees received by them. Please refer to the paragraph headed “The engagement of Kunshan Jiameng by Kunshan Tingshe – The roles of Kunshan Jiameng – monitoring the tax filings of our distributors by Kunshan Jiameng” in this section for further details</p> <p>- Liaise with the relevant governmental authority(ies) and provide them with the latest industry development, such as any complaints filed against our products and sales channel thereof, in order to assist the governmental authority(ies) to fine tune the regulations on social e-commerce industry players</p> |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---|---|--|
| <p>Marketing and promotional activities</p> | <p>According to the respective roles and responsibilities of our Group and Kunshan Tingshe in respect of the sale of the Kunshan Tingshe Distributed Products, with our Group focusing on the development of products and Kunshan Tingshe being responsible for the development and day-to-day management of the distribution network, the marketing and promotion activities conducted by our Group mainly focus on the promotion of our brand and products; whereas Kunshan Tingshe (with assistance from Kunshan Jiameng) mainly conducts marketing and promotion activities for the development of the distribution network.</p> <ul style="list-style-type: none"> - Conduct marketing and promotional activities for our products - Create celebrity IPs which have synergy to promote our retail products as well as enhance our brand awareness - Organize large-scale annual events which aim to foster brand loyalty amongst our distributors and their sub-distributors and motivate them to further enhance their sale performance and serve as a marketing tool to enhance our brand awareness through announcing upcoming development of our Group such as IP programs or events to be launched by us, launch of new products and/or promotion activities of our products. | <ul style="list-style-type: none"> - Coordinate with and assist in engaging independent third party service providers to execute offline and online marketing and advertising activities and events contemplated by Kunshan Tingshe - Conduct marketing and advertising activities for the development of the distribution network such as distributors promotion meetings for the sharing of KOC experience by the distributors and distributors recruitment events - Form ideas for advertisements and promotional social media contents and production of promotion video for image building and promotion of our distributors in order to enhance the effectiveness of promotion and sales of our products by the relevant distributors |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|------------------|--|--|
| <p>Trainings</p> | <p>Our Group and Kunshan Tingshe (with assistance from Kunshan Jiameng) provide introductory trainings in different perspective (as set out below) to newly joined sub-distributors, whom may not have any prior knowledge in our corporate culture and/or rules that they should comply with while promoting our products. Such trainings are designed to be provided to all distributors and sub-distributors in general and are usually conducted formally.</p> <ul style="list-style-type: none"> - Prepare training materials regarding our products jointly with Kunshan Tingshe - Provide trainings on our corporate culture, rules that distributors and sub-distributors that need to comply with for sales and promotion of our products, knowledge on ketogenic diet, our brands, theory on ketogenic diet, the features, usage and ingredients of our products and how consumption of our products can be implemented to daily lives to maximize the effect thereof etc., to distributors and sub-distributors | <p>Kunshan Jiameng</p> <ul style="list-style-type: none"> - Prepare training materials regarding our products jointly with our Group - Provide trainings to distributors and sub-distributors of how to use the Ordering System - Provide (i) trainings on our products via product trials and experiences sharing during offline training meetings and continuous instructions conducted by KOC distributors based on their personal experiences; and (ii) trainings on general sales and marketing skills. Trainings on selling and promotion skills include how to provide aftersales services (e.g. how to answer queries regarding our products from end consumers), how to edit materials to be published on social media to promote our products, and how to host distributors promotion meetings. Trainings on distribution network management skills include how to create and enhance the image building of our distributors or sub-distributors, how to support amongst distributors and sub-distributors etc. |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---|---|---|
| Development and use of the Ordering System | <p>The Ordering System was originally developed and launched by our Group in 2019. Our Group utilizes the Ordering System to manage the orders placed by our distributors and their sub-distributors. Subsequent to our disposal of Kunshan Tingshe, the Ordering System is continuously used by our Group and Kunshan Tingshe where:</p> <p>(i) Kunshan Tingshe is responsible for overall management of the orders placed by our distributors on behalf of us, such as receiving the prepayment from our distributors immediately before and after the disposal of Kunshan Tingshe by us as discussed below, arranging settlement of product price as discussed below, providing discounts and incentives to distributors and sub-distributors etc.; and</p> <p>(ii) our Group uses the data in the Ordering System to arrange delivery of our products</p> | N/A |
| Settlement of product price and the corresponding discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products | <p>We designate the product settlement function to Kunshan Tingshe and we will settle the fee with Kunshan Tingshe on a regular basis based on the records in the Ordering System</p> | <p>Calculate, with the assistance from Kunshan Jiameng, volume discount and incentives, sales volume-based fees to be granted to distributors and the Service Fee to Li Ting based on the sales data being withdrawn from the Ordering System, and arrange the settlement with them</p> <p>Verify certain volume discounts, incentives and fees payable to Li Ting and our distributors</p> <p>Provide assistance to Kunshan Tingshe with respect to payment of the volume discounts, incentives and fees to the distributors and Li Ting</p> |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---|---|-----------------|
| <p>Arrangement of the Jointly-controlled Accounts</p> <p>- Approve jointly with Kunshan Tingshe regarding any remittance of cash out of the Jointly-controlled Accounts</p> | <p>- Approve jointly with our Group regarding any remittance of cash out of the Jointly-controlled Accounts</p> <p>- Be, immediately before and after disposal of Kunshan Tingshe by us, primarily responsible for receiving prepayments for sales (which are normally non-refundable) from our distributors through the Jointly-controlled Accounts, and transfer purchase price for such products to us on the working day immediately following the date of such prepayment</p> <p>- Receive, hold and manage the refundable security deposit from distributors to secure the distributors' compliance of the distribution agreements. The refundable security deposit will be retained in the Jointly-controlled Accounts and refunded to the distributors when they ceased to be our distributor</p> <p>- Receive, hold and manage the refundable purchase deposit from distributors for each purchase order placed by them, as a guarantee for performance of contractual obligations imposed on them through the Jointly-controlled Accounts, at the time when prepayment for the purchase price of our products is made by the distributors and return such refundable purchase deposit to the said distributors in the following month if no breach of contractual obligation occurred</p> | <p>N/A</p> |

DISTRIBUTION ARRANGEMENT WITH KUNSHAN TINGSHE

| Our Group | Kunshan Tingshe | Kunshan Jiameng |
|---|-----------------|--|
| | - | <p>Given that the refundable security deposit and the refundable purchase deposit are fully refundable to the distributors if there is no breach of the relevant distribution agreement, Kunshan Tingshe will not transfer such amounts to our Group</p> |
| <p>Delivery of products</p> <p>Process and arrange delivery of our products directly to our distributors, sub-distributors or end consumers by engaging independent logistics service provider(s), upon receipt of orders placed directly from distributors or sub-distributors through the Ordering System</p> | N/A | N/A |

COOPERATION WITH CELEBRITIES

INTRODUCTION

We cooperate with celebrities from time to time to implement our business plans. Our cooperation with celebrities are important to our business model as (i) our IP creation and operation segment is a standalone revenue-generating business segment; and (ii) proprietary IPs we created empowers our new retail business through creating promotional effect on our products. During the Track Record Period, we have cooperated with various celebrities, including Mr. Jay Chou, Mr Liu Keng-hung, Ms. Vivi Wang and Mr. Fang, for different aspects of our business operations.

COOPERATION RELATIONSHIP WITH MR. JAY CHOU

We have established long-term cooperation relationship with Mr. Jay Chou, JVR Music (Mr. Jay Chou's artiste management company) and Archstone (Mr. Jay Chou's representative for business negotiations in respect of one off or project based engagement). JVR Music is owned by Mr. Yang, Mr. Jay Chou, Mr. Fang and Ms. Yeh as to 45%, 40%, 10% and 5% respectively. Mr. Jay Chou is a founder of JVR Music, and Mr. Fang is our chief cultural officer. Archstone is wholly-owned by Mr. Chen. Our Founders, Controlling Shareholders and/or non-executive Directors include Ms. Yeh (Mr. Jay Chou's mother) and directors and controlling shareholders of JVR Music or Archstone, namely, Mr. Yang and Mr. Chen, respectively, and these parties have substantial influence over our overall development and business strategies.

During the Track Record Period, we collaborated with Mr. Jay Chou, JVR Music and/or Archstone through various business undertakings, such as (i) being a planner and/or an investor to large-scale concerts featuring Mr. Jay Chou, including one concert in each of 2019 and 2020, where we procured Mr. Jay Chou to perform at such concerts through Archstone; (ii) being the lead creator of *J-Style Trip*, where we procured Mr. Jay Chou to appear and obtained the right to use Mr. Jay Chou's publicity rights through Archstone; (iii) jointly developed and owned the *ChouMate* trademarks with JVR Music; and (iv) entered into a 10-year IP Authorization Agreement with JVR Music pursuant to which we have secured an exclusive right in relation to projects related to *ChouMate* and a non-exclusive priority right to invest in projects related to Mr. Jay Chou and his IPs globally. Through such collaborations, Mr. Jay Chou, JVR Music, Archstone and us established a mutually beneficial relationship in which we help solidify Mr. Jay Chou's popularity among our consumers and unique celebrity IPs centered around Mr. Jay Chou empower our new retail business through creating promotional effect for our products. Our synergistic relationship with them is expected to continue in the future.

We have entered into the cooperation agreements on *ChouMate* and IP Authorization Agreement with JVR Music with the details set out below.

COOPERATION WITH CELEBRITIES

1. Cooperation agreements with JVR Music on *ChouMate*

In August 2019 and September 2019, we entered into cooperation agreements with JVR Music and agreed, amongst others, to jointly develop and own the *ChouMate* trademarks, and JVR Music has the final right to approve our use of any *ChouMate* trademarks. As advised by the IP Counsel, as the *ChouMate* trademarks originated from the image of Mr. Jay Chou, it is in line with industry norm for the artiste management company of Mr. Jay Chou, to retain such right as the use of the *ChouMate* trademarks may affect Mr. Jay Chou's reputation and goodwill, which determines the commercial value of an artist. Against this background, the final right of approval is one of the safeguards put in place by JVR Music to ensure Mr. Jay Chou's reputation and goodwill are preserved and that his interest will not be prejudiced. During the Track Record Period, we never encountered any difficulty in obtaining JVR Music's consent in our endeavors to use or license any *ChouMate* trademarks.

Based on the views of the IP Counsel, our Directors and the Sole Sponsor are of the view that, as a co-owner of the *ChouMate* trademarks, our ownership of and legal entitlement to the exclusive rights to use the *ChouMate* trademarks in accordance with the agreements with JVR Music will not be affected even if there is any change in the ownership of JVR Music. Since our cooperation with JVR Music on *ChouMate* and its related projects precedes the entering of the IP Authorization Agreement, as advised by the IP Counsel, we have the right to use the *ChouMate* trademarks irrespective of the IP Authorization Agreement, since our ownership in, and our rights as a co-owner of the *ChouMate* trademarks are perpetual.

Our Directors are of the view that Mr. Jay Chou, *ChouMate* and our reputation will be safeguarded as (i) JVR Music and us are committed to maintain and protect the reputation of Mr. Jay Chou and *ChouMate* to protect our common interests; (ii) given that we are the only party authorizing other third parties for *ChouMate* Projects, we will only grant licenses to trusted partners and we can constantly monitor, supervise and direct the use of any *ChouMate* trademarks; and (iii) we can identify counterfeit goods bearing *ChouMate* trademarks and take suitable enforcement actions to eliminate them from the market.

2. IP Authorization Agreement with JVR Music on *ChouMate* Projects

To formalize our long cooperation relationship with JVR Music and to ensure the continuity thereof, on August 30, 2021, we entered into the IP Authorization Agreement with JVR Music. Pursuant to the IP Authorization Agreement, for a term of 10 years that can be renewed by us for an additional 10 years, we have secured (a) an exclusive right to conduct projects based on *ChouMate* globally; and (b) a non-exclusive priority right to invest in certain types of projects.

COOPERATION WITH CELEBRITIES

Terms of the IP Authorization Agreement

Set out below is a summary of various rights granted to us by JVR Music under the IP Authorization Agreement:

Exclusive rights Planning, development, investment and other commercial projects based on *ChouMate* globally (“***ChouMate Projects***”)

JVR Music further agreed not to carry out the *ChouMate* Projects with any third parties without our prior approval. Since JVR Music is principally engaged in artiste management, our Directors are of the view that chances which JVR Music would exercise its right to carry out the *ChouMate* Projects on its own are remote.

Non-exclusive priority rights ^(Note 1)

- (1) Design, create, plan, develop and invest in virtual idols centered on Mr. Jay Chou’s image in anime and movies projects
- (2) Design, create, plan, develop and invest and launch of certain shows (including variety shows designed and developed by Mr. Jay Chou, but excluding performances, music awards ceremonies, music magazines etc. where Mr. Jay Chou participates solely in his capacity as a singer and programs within the scope of JVR Music’s agency business, including but not limited to Mr. Jay Chou appearing as a guest, mentor, guest host, performing artist or guest interviewee on programs)
- (3) Investing in JVR Music’s and/or Mr. Jay Chou’s Hollywood Movies (as defined in the IP Authorization Agreement)

Note:

1. We have the right to invest in these projects which can be proposed by other third parties. For any such projects proposed by a third party and accepted by JVR Music to be carried out by a third party, JVR Music will, to the extent within its power, invite us to co-invest in such projects on a priority basis. For any such projects proposed by us and accepted by JVR Music to be carried out by us, we will develop such projects and enjoy the priority right to decide whether to develop such projects by ourselves or together with other third parties.

COOPERATION WITH CELEBRITIES

- Other rights*
- (1) Arranging Mr. Jay Chou to participate and attend commercial concerts hosted, invested or sponsored by us, as well as the promotion activities of such concerts
 - (2) Investing in Mr. Jay Chou's personal concerts or other concerts where Mr. Jay Chou is the main performer
 - (3) Procuring Mr. Jay Chou's participation and/or attendance of events and activities in relation to Star Plus Projects (as defined below)

Other major terms of the IP Authorization Agreement are summarized as follows:

- Ownership of intellectual property rights*
- Projects that needs to combine or utilize JVR Music's or Mr. Jay Chou's works shall be authorized by JVR Music separately, and the ownership of intellectual property rights of such projects will be separately agreed with JVR Music;
 - Projects which we act as the main investor shall be fully owned by us (except for the intellectual property rights related to Mr. Jay Chou's concerts, which will be determined by the relevant concert contracts); and
 - With respect to other projects which are not covered above, the intellectual property rights shall be separately agreed with JVR Music on a case-by-case basis.

- Grounds of termination*
- The IP Authorization Agreement will be terminated if, among other things:
- (i) a fundamental breach is caused by us, which includes the use of Mr. Jay Chou's image and name in any projects or the execution of any projects contemplated under the IP Authorization Agreement ("**Star Plus Projects**") without obtaining the prior consent of JVR Music;
 - (ii) any party continuously or materially breaches any provisions of the agreement and such breach is not remedied after the complying party notifies the breaching party; or
 - (iii) if we are not listed on or before August 30, 2023 (the "**Early Termination Right**").

COOPERATION WITH CELEBRITIES

Our non-exclusive priority rights in projects associated with Mr. Jay Chou

The above non-exclusive priority rights provide us with the opportunity to participate in all projects associated with Mr. Jay Chou in these agreed respects. Our Directors consider it reasonable that any proposal of these projects will need to be accepted or approved by JVR Music, as (i) the projects will utilize Mr. Jay Chou's related IP and therefore, JVR Music should have the right to accept or approve the projects on behalf of Mr. Jay Chou; (ii) JVR Music shall select suitable projects which can benefit Mr. Jay Chou or his career development; and (iii) JVR Music needs to ensure that the proposed projects would not, among others, be derogatory to Mr. Jay Chou's reputation and/or image, or result in any breach of pre-existing contracts or commitments. We believe it is also an industry norm for artiste management companies to have similar approval right in respect of any projects involving its artists and/or the artist's image, publicity rights or intellectual property rights for the above reasons. During the Track Record Period and up to the Latest Practicable Date, there was no occasion of us being rejected by JVR Music in relation to any projects associated with Mr. Jay Chou, including those which we have non-exclusive priority rights under the IP Authorization Agreement.

Authorization of JVR Music to enter into the IP Authorization Agreement and our rights to use the Relevant IP Rights

JVR Music confirmed that it has obtained all necessary authorizations to enter into the IP Authorization Agreement and is capable of performing its obligations thereunder. Given: (i) the cooperation between JVR Music and Mr. Jay Chou in the past 14 years; and (ii) JVR Music confirmed that it shall continue to be Mr. Jay Chou's artiste management company at least until December 30, 2031, our Directors do not expect that there will be material change in relationship between JVR Music and Mr. Jay Chou during the term of the IP Authorization Agreement.

Mr. Jay Chou also provided us a confirmation (the "**Confirmation**") that: (i) the authorization given by JVR Music to us under the IP Authorization Agreement (and agreements derived therefrom) will not be affected due to any change in the cooperation relationship between JVR Music and him. If JVR Music is no longer the artiste management company of Mr. Jay Chou, JVR Music would continue to retain the requisite authorization to perform its obligations under existing contracts, including its rights to authorize us to use the relevant publicity rights and other intellectual property of Mr. Jay Chou (the "**Relevant IP Rights**"); and (ii) if JVR Music is unable to authorize us to use the Relevant IP Rights (other than due to our breach of the IP Authorization Agreement), Mr. Jay Chou agrees to procure his then agent to enter into a new IP authorization agreement with us on terms substantially the same as those of the IP Authorization Agreement. As advised by the IP Counsel, (i) the Confirmation is legally binding and enforceable since the essential elements of a valid and binding contract under Hong Kong law are present; (ii) the Confirmation remains binding and enforceable against Mr. Jay Chou regardless of the governing law of future agreements to be entered into between Mr. Jay Chou and his then agent; and (iii) the Confirmation enables us to continue to enjoy the rights to use the

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Relevant IP Rights. Accordingly, our Directors are of the view, and the Sole Sponsor concurs, that our interests under the IP Authorization Agreement would not be prejudiced and our cooperation with Mr. Jay Chou can be safeguarded, even if another party becomes Mr. Jay Chou's agent during the term of the IP Authorization Agreement.

Whether JVR Music would exercise the Early Termination Right

The Early Termination Right was agreed based on the commercial rationale that we would have more resources to implement the potential cooperation under the IP Authorization Agreement upon our Listing. In that case, we believe that it is also logical that Mr. Jay Chou and JVR Music would have more incentive to further strengthen their cooperation with us after our Listing if we have more resources and capacity in creating sizable events and programs to further enhance his public exposure and raise his popularity, as we could gain access to capital market, and apply funds raised on our IP creation and operation segment. Please see the paragraph headed "Mutual beneficial relationship between our Group and Mr. Jay Chou" below for details. To our best knowledge, given the long-standing cooperation between JVR Music and us, we understand that JVR Music would not exercise the Early Termination Right even if we are not listed by August 30, 2023 as long as we remain capable in providing the backing required by JVR Music and possess the relevant resources and connections to execute the Star Plus Projects.

Our recourse if there is negative publicity surrounding Mr. Jay Chou

We do not have the unilateral right to terminate the IP Authorization Agreement in situations where there is negative publicity surrounding Mr. Jay Chou, and such rights are unnecessary because we do not commit ourselves to any potential projects or are required to perform any positive obligations thereunder. In the unlikely event that there is negative publicity surrounding Mr. Jay Chou, we retain the power to decide whether to cooperate with JVR Music on Star Plus Projects that have not materialized; and for Star Plus Projects that we have committed, we will decide how they should be proceeded based on the separate agreement to be entered for each project which sets out the major terms (typically including back-to-back indemnification clauses where JVR Music would indemnify us in the event Mr. Jay Chou is associated with negative publicity, the termination cost (if any)). If we decide to terminate such projects, our operations and results of may be adversely affected, please refer to the section headed "Risk factors – Risks relating to our business and industry – We rely on our cooperation with celebrities such as Mr. Jay Chou, Mr. Liu Keng-hung, Ms. Vivi Wang and Mr. Harlem Yu etc. in our businesses, and any negative impact on such celebrities' reception by or exposure to our consumers may have material adverse effects on our business, financial position and results of operations." in this prospectus for details.

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Long-term, stable and secure relationship with Mr. Jay Chou's agent and representative

We believe that we have established and maintained a long-term, stable and secure relationship with Mr. Jay Chou through JVR Music and/or Archstone by (a) being engaged in media content production and event planning that were related to him when we procured Mr. Jay Chou to perform at concerts planned and/or invested by us, and to appear in *J-Style Trip* season one and obtained right to use IPs related to Mr. Jay Chou in the show and (b) through the 10-year IP Authorization Agreement. We believe the rights given to us under the IP Authorization Agreement and its term demonstrates that Mr. Jay Chou will collaborate with us on a long-term basis.

In addition, we understand that Mr. Jay Chou has maintained a stable and long-term relationship with Mr. Yang and Mr. Chen through JVR Music and Archstone, respectively, and we believe the relationship between them reduces the risk of us not being able to cooperate with Mr. Jay Chou as Mr. Yang and Mr. Chen are our Founders, Controlling Shareholders and non-executive Directors. Further, Mr. Jay Chou's relationship with each of JVR Music, Archstone, Mr. Yang, Ms. Yeh and Mr. Chen will not have any restriction on our business activities.

Mr. Jay Chou's relationship with JVR Music

JVR Music is Mr. Jay Chou's agent since 2008 which possesses the exclusive right to deal with the copyright in all of Mr. Jay Chou's lyrics, music works, audio-visuals and video works and Mr. Jay Chou's publicity rights for and on behalf of Mr. Jay Chou. JVR Music has been and is under Mr. Jay Chou's authorization to use Mr. Jay Chou's publicity rights, and handle Mr. Jay Chou's commercial licensing activities globally.

In the event Mr. Jay Chou's relationship with JVR Music or its directors and shareholders deteriorates, his cooperation with us will not be substantively affected as (i) our cooperation with JVR Music and Mr. Jay Chou under the IP Authorization Agreement will not be affected; (ii) we have the proprietary right to use the *ChouMate* trademarks; (iii) we are the co-owner of the copyrights and other related intellectual property rights of *J-Style Trip* created by us; and (iv) Mr. Jay Chou's publicity rights are personal to him, and he may enter into project-based engagements with us. For details, please see the sub-paragraph headed "Mutual beneficial relationship between our Group and Mr. Jay Chou".

Mr. Jay Chou's relationship with Archstone

Archstone represents Mr. Jay Chou in business negotiations in respect of one-off or project-based management under the authorization and consent of JVR Music, such as product endorsements and commercial concerts in the PRC. Archstone does not possess any of Mr. Jay Chou's intellectual property rights and publicity rights or any rights to deal with the foregoing for and on behalf of Mr. Jay Chou, and it shall enter into one-off authorization agreement(s) with JVR Music on a case by case basis which sets out the specific scope of authorization. Hence, any change in the relationship between Mr. Jay Chou and Mr. Chen or Archstone, would not have impact on our business activities.

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As advised by the IP Counsel, and our Directors and the Sole Sponsor concur, our interest with respect to Mr. Jay Chou's intellectual property rights under the IP Authorization Agreement will not be affected even if Archstone is able to use Mr. Jay Chou's intellectual property rights because Archstone's right to enter into engagements on behalf of Mr. Jay Chou and to use Mr. Jay Chou's publicity and intellectual property rights originates from JVR Music. It follows that since JVR Music is required to comply with the terms of the IP Authorization Agreement, it will not grant any rights to Archstone to such extent that would render it breaching the IP Authorization Agreement.

Impact of Mr. Jay Chou's commercial activities other than those with our Group

Mr. Jay Chou also carries out commercial activities with parties other than us (including his personal concerts, appearance in programs not planned by us, or acting as the spokesperson for other brands or products), and such activities may impose restrictive covenants on Mr. Jay Chou. Such restrictive covenants affects the scope of the Star Plus Projects that can be carried out. However, JVR Music, in its capacity as an artiste management company, would ensure that restrictive covenants that Mr. Jay Chou is required to comply do not affect his ongoing cooperations with us. We do not believe Mr. Jay Chou's commercial activities other than those with us poses risk or has any adverse impact to our business activities because we can always cooperate with other celebrities if we have a concrete business initiative or work on projects with Mr. Jay Chou outside restrictive covenants on him.

Mutual beneficial relationship between our Group and Mr. Jay Chou

Our Directors are of the view that there is a mutual beneficial relationship between our Group and Mr. Jay Chou. Our IP creation capacity was critical to the creation of our IPs, including but not limited to those associated with Mr. Jay Chou, such as *ChouMate* and *J-Style Trip* season one. Our celebrity IPs have empowered our brands, products and distribution network by creating a promotional effect. Licensing of such IPs to third parties raised Mr. Jay Chou's popularity.

On the other hand, as a leading figure in China's entertainment industry, Mr. Jay Chou has a large fan base and can attract significant interest to products associated with him, which has empowered our new retail operations. We believe the image of Mr. Jay Chou has remained positive, and he has continued to exert positive influence on the public. We also believe Mr. Jay Chou will continue to be a well-regarded celebrity in the near future, thereby continuing to contribute to our operations through the empowerment achieved by his celebrity IP.

In addition, our Directors are of the view that there may only be a handful of celebrities that have a similar level of popularity and influence as compared to Mr. Jay Chou. Notwithstanding the fact that it is rare for artists to enter into long-term and wide-ranging cooperation agreement with business partners in the China market, we were able to secure long-term collaborations with Mr. Jay Chou through the IP Authorization Agreement. Going forward, we will continue to leverage our long-term cooperative and mutually beneficial relationship with Mr. Jay Chou.

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Mr. Jay Chou’s significance to our business operation

Mr. Jay Chou’s role in our business operations

We heavily rely on Mr. Jay Chou on both our new retail business and IP creation and operation business. In respect of IP creation and operation business, as discussed in the section headed “Business – Our business – IP creation and operation” in this prospectus, Mr. Jay Chou was an inspiration source for creation of IPs or one of the performers in our IP contents. Our Group generated revenue from (a) IPs that centered around Mr. Jay Chou in 2020, with the airing of *J-Style Trip* season one in early 2020; and (b) various events planning and programs with creation and operation that involved Mr. Jay Chou as one of the performers throughout the Track Record Period. Since 2021, revenue derived from our IP creation and operation business has been diversified and we generate revenue from cooperation with other celebrities, namely, Mr. Harlem Yu and Mr. Liu Keng-hung. During the Track Record Period, our IP creation and operation that centered around Mr. Jay Chou or involved him as one of the performers accounted for 5.7%, 19.6%, 9.1% and 13.3% of our total revenue for the four years ended December 31, 2022, respectively.

In respect of new retail business, our Group’s major product, *MODONG* coffee, had used the empowerment of Mr. Jay Chou to create promotional effect, including the use of *ChouMate* on the product’s packaging and featuring such product in *J-Style Trip* season one. During the Track Record Period, sales of our products under the new retail segment whereby the promotional activities involved Mr. Jay Chou or his related IPs accounted for 83.0%, 72.8%, 64.8% and 45.2% of our total revenue, respectively.

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Our business has remained sustainable after the broadcast of *J-Style Trip* season one in 2020. Set forth below is a breakdown of our revenue which was: (i) products under the new retail segment that the promotional activities of which included involvement of Mr. Jay Chou or his related IPs; (ii) products under the new retail segment that promotional activities of which did not include involvement of Mr. Jay Chou or his related IPs; (iii) IP creation and operation that centered around Mr. Jay Chou or involved him as one of the performers; and (iv) IP creation and operation that was not centered around or significantly related to Mr. Jay Chou or his related IPs for the years indicated:

| | | Year ended December 31, | | | | | | | |
|---|---|-------------------------|------|---------|------|---------|------|---------|------|
| | | 2019 | | 2020 | | 2021 | | 2022 | |
| | | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| New Retail | | | | | | | | | |
| <i>Empowered by Mr. Jay Chou and his related IPs</i> | | | | | | | | | |
| – MODONG coffee <i>ChouMate</i> edition ⁽¹⁾ | A | – | – | 135,195 | 29.6 | 110,663 | 30.3 | 85,452 | 24.8 |
| – MODONG coffee traditional edition ⁽¹⁾ | A | 71,927 | 83.0 | 197,673 | 43.2 | 117,109 | 32.1 | 65,431 | 19.0 |
| Sub-total | | 71,927 | 83.0 | 332,868 | 72.8 | 227,772 | 62.3 | 150,883 | 43.8 |
| – Other health management products | A | – | – | – | – | 8,325 | 2.3 | 3,527 | 1.0 |
| – Others | A | – | – | – | – | 676 | 0.2 | 1,240 | 0.4 |
| <i>Not empowered by Mr. Jay Chou or his related IPs</i> | | | | | | | | | |
| <i>Health Management Products</i> | | | | | | | | | |
| – MODONG probiotics lyophilized powder | B | – | – | – | – | 13,076 | 3.6 | 11,585 | 3.4 |
| – MODONG herb beverage | B | – | – | – | – | 14,185 | 3.9 | 5,829 | 1.7 |
| – MODONG light brewed coffee | | – | – | – | – | – | – | 8,628 | 2.5 |
| – Matcha powder | | – | – | – | – | – | – | 24,049 | 7.0 |
| – Products under <i>Dr. INYOU</i> brand | B | – | – | – | – | 5,845 | 1.6 | 3,367 | 1.0 |
| – Other health management products | B | – | – | 7,919 | 1.7 | 6,058 | 1.7 | 8,168 | 2.4 |
| <i>Skincare products</i> | | | | | | | | | |
| – <i>LA DEW</i> Facial Mask | B | 3,450 | 4.0 | 14,347 | 3.1 | 5,132 | 1.4 | 419 | 0.1 |
| – Products under <i>Dr.mg</i> sub-brand | B | – | – | 6,058 | 1.3 | 12,677 | 3.5 | 12,540 | 3.6 |
| – Products under <i>Chaxiaojie</i> sub-brand | B | – | – | 17 | 0.0 | 3,465 | 0.9 | 3,313 | 1.0 |
| <i>Others</i> | B | 5,420 | 6.3 | 3,966 | 0.9 | 4,184 | 1.1 | 6,551 | 1.9 |
| Sub-total | | 80,797 | 93.3 | 365,175 | 79.9 | 301,395 | 82.5 | 240,099 | 69.8 |

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Notes:

- (1) During 2019, we did not use any celebrity IP in the empowerment of the sale of our *MODONG* coffee. We promoted our *MODONG* coffee through (a) *J-Style Trip* season one; and (b) the launching of a special edition of *MODONG* coffee with illustration of *ChouMate* being displayed on the packaging thereof (the i.e. the *ChouMate* Edition). Since July 2020, while we have continued to sell part of our *MODONG* coffee under the *ChouMate* Edition, we had not conducted any event or program with the use of Mr. Jay Chou-related IPs comparable to *J-Style Trip* season one for the empowerment of our *MODONG* coffee and other products.
- (2) Mainly represented our revenue generated from (i) the airing of *J-Style Trip* season one in 2020; and (ii) a World-Cup related program, a promotional video relating to *J-style Trip* season two and a new music album of Mr. Jay Chou and an online music show centered around Mr. Jay Chou broadcasted during the fourth quarter of 2022.
- (3) Represented revenue generated from various events and programs that Mr. Jay Chou appeared as one of many performers or guests (where applicable). Despite Mr. Jay Chou was only one of many guests appeared in such events and programs, the Group was only responsible for creating Mr. Jay Chou-related content for these events and programs.
- (4) Represented revenue from licensing of *ChouMate* and sale of related products.
- (5) Represented revenue generated from (i) programs which were centered around celebrities other than Mr. Jay Chou, including *You Can Run But You Can't Hide* (既來之則樂之) that was centered around Mr. Harlem Yu and featured other guests including Mr. Jay Chou; and a variety show that was centered around Mr. Liu Keng-hung and featured other celebrities. Apart from appearing as one of the guests, Mr. Jay Chou was not involved in the relevant events and programs; and (ii) other events and/or programs that were totally unrelated to Mr. Jay Chou.
- (6) The increase in our revenue generated from events and IP programs that was unrelated to Mr. Jay Chou or his related IP increased from RMB29.5 million in 2021 to RMB57.7 million in 2022 was mainly attributable to our cooperation with Mr. Liu Keng-hung since November 2021, including revenue generated from 618 streaming session and other Livestreaming sessions that were centered around Mr. Liu Keng-hung.

Sustainability of our operation

Based on the followings, we consider that our new retail business, in particular, sales of *MODONG* coffee has remained sustainable after the airing of *J-Style Trip* season one and the extensive use of Mr. Jay Chou-related IPs:

a. Health management products:

(i) *MODONG* coffee

Sales of *MODONG* coffee was not material in 2019 as it was only launched in April 2019. With the IP empowerment effect brought by *J-Style Trip* season one and the introduction of special edition of *MODONG* coffee with packages featuring *ChouMate*, the sales of our *MODONG* coffee has increased significantly in 2020.

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Our Directors believe that the decline in our Group's sales revenue in 2021 and 2022 was mainly due to (i) the cessation of material promotional effect of the airing of *J-Style Trip* season one since July 2020; and (ii) the temporary disruptions to, among others, the operation of our logistics and delivery service providers, the organization of offline sales and marketing activities, as a result of the implementation of the strict measures to combat the outbreak of Omicron variant of COVID-19, instead of due to the end of its product life cycle for this product.

Set forth below is the average monthly sale volume (boxes) per quarter of our *MODONG* coffee during the each of the four years ended December 31, 2022:

| | Year ended December 31, | | | |
|----------------|-------------------------|---------|------------------------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | (boxes) | | | |
| First quarter | – | 140,000 | 188,000 | 102,000 |
| Second quarter | 74,000 ⁽¹⁾ | 550,000 | 200,000 ⁽²⁾ | 114,000 |
| Third quarter | 59,000 | 223,000 | 134,000 ⁽³⁾ | 75,000 |
| Fourth quarter | 79,000 | 191,000 | 189,000 ⁽²⁾ | 169,000 |

Notes:

1. *MODONG* coffee commenced its nationwide distribution in April 2019. Therefore, there had been no sale record for the first quarter of 2019.
2. For second quarter 2021, particularly in April and June, there was promotional effect of (i) the airing of a reality show about traveling and Chinese culture, namely *The Journey of Poetic Soul* season two (還有詩和遠方2); and (ii) launching of promotional campaign where discounts and gifts were offered when purchasing *MODONG* coffee. In December 2021, there was promotional effect of the airing of another variety show about traveling, namely *The Shape of Culture* season two (萬里走單騎2). Such programs were not produced by us but we promoted *MODONG* coffee therein through placing TV advertisement. Such programs featured different celebrities, and Mr. Jay Chou was not involved in that variety show at all.
3. The decrease in the sale volume of our *MODONG* coffee in the third quarter of 2021 was mainly due to the shift in the management's focus to prepare for the Listing in which resources were temporarily allocated to, among others, preparation of various listing works and documents, strengthening of our internal control and corporate governance and management of our distribution network. The sale function of our distribution network was also temporarily affected as we imposed additional requirements on the distributors and sub-distributors in order to strengthen our internal control.

We believe that the market demand for bulletproof coffee remains strong, based on the following facts:

(i) Market demand for bulletproof coffee in general

The concept of bulletproof coffee was first commercialized in China since 2016. The market size of China's bulletproof drink market increased from

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RMB0.5 billion to RMB2.2 billion in terms of GMV, at a CAGR of 34.6% from 2017 to 2022. In addition, bulletproof coffee currently constitutes the largest segment in China's bulletproof drinks market which accounted for over 80% of the bulletproof drinks market in 2022.

The market size of bulletproof drink in the PRC only recorded a relatively small growth between 2020 and 2021 from RMB3.1 billion in 2020 to RMB3.2 billion in 2021 due to the implementation of various strict measures in different regions across the PRC, including city-wide static management control measures.

With recent relaxation of restrictions to combat the COVID-19 in the PRC, it is expected that the economy in the PRC will be stabilized and resume to rational growth from 2023 onwards. Thus, it is expected that the market size of bulletproof drink will increase from RMB2.7 billion in 2022 to RMB5.0 billion in 2027, at a CAGR of 17.7%.

(ii) Market demand for and our ability to sustain sales of *MODONG* coffee

We believe we have built a brand name of our own in the bulletproof drink market, as evidenced by the fact that we ranked first in China's bulletproof drink industry in terms of GMV in both 2021 and 2022, with a market share of 24.9% in 2022. With the continuous growth of market size in China's bulletproof drink industry and our current leading position, our Directors believe that the demand for our product will not deteriorate in the foreseeable future.

Our Directors consider that sales of *MODONG* coffee, similar to any other products in the retail industry, is subject to, among other things, our allocation of resources and the level of sales and marketing activities organized for the product.

Despite the outbreak of COVID-19 which adversely affected the general consumption behavior of consumers in the PRC during 2022, we continued to rank first in the bulletproof drink market in the PRC in 2022 since our *MODONG* coffee is perceived by end consumers as a product of good quality and has effective features. Thus, we believe the demand of our *MODONG* coffee will resume back to normal gradually in 2023 and going forward having considered that, despite the impact of the increase in COVID-19 cases in the first quarter of 2023 immediately following the relaxation of restrictive measures, our Group received orders of *MODONG* coffee placed by our distributors of approximately 510,000 boxes in the first quarter of 2023, which was (a) comparable to the number of orders of *MODONG* coffee placed by our distributors of approximately 520,000 boxes during the first quarter of 2022; and (b) higher than the average quarterly orders of *MODONG* coffee placed by our distributors of approximately 330,000 boxes in 2022, during which control measures were imposed in the PRC from time to time in response to the Resurgence. In addition,

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we expect that more offline marketing activities would be resumed by Kunshan Tingshe and our distributors in 2023 following the relaxation of restrictions to combat the COVID-19 in the PRC. 35 distributors promotion meetings were organized in the first quarter of 2023, as compared to only seven for the same period in 2022.

As such, our Directors believe we could remain competitive against our competitors by being the leading industry leader of the bulletproof drink market in the PRC and the overall sales of *MODONG* coffee in foreseeable future is sustainable and there is no apparent sign of decline in demand permanently.

(ii) Our other health management products

Other than *MODONG* coffee, we diversified our product portfolio by launching various new products, such as *MODONG* herb beverage and *MODONG* probiotics lyophilized powder in October 2021, that were not empowered by any celebrity IPs. In addition, we also launched new products, namely matcha powder and *MODONG* light brewed coffee, which we sold through E-commerce Livestreaming sessions feature celebrities and KOLs, including Ms. Vivi Wang.

b. Skincare products:

Even without celebrity IPs' empowerment, our Group recorded a significant growth in its sales of skincare products during the Track Record Period. Revenue derived from skincare products increased by more than 500% between 2019 and 2021, which was mainly attributable to the introduction of new products, namely products under *Dr.mg* sub-brand, which were sold through our distribution network.

With sizeable market size of each of consumer health community-based social e-commerce industry and beauty and personal care products community-based social e-commerce industry, and expected continuous growth in market size for both industries, we believe that there will continue to be market demand in our new retail products, including those new health management and skincare products to be launched by our Group in the future.

Major collective factors to our success other than Mr. Jay Chou-related IPs

Although we successfully leveraged on Mr. Jay Chou's influence to achieve the significant growth of our business during the Track Record Period, in particular in the first half of 2020, our Directors consider the empowerment of Mr. Jay Chou-related IPs is not the sole and dominant factor for our Group's success. The success of *MODONG* coffee, which is similar to any other retail products, de facto depends on a number of other critical factors.

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We believe each of the following factors is equally important and contributed to our success:

1. ***Various sales and marketing means*** – We promote our products: (i) by word-of-mouth through KOCs; (ii) through traditional sales and marketing methods, such as TV sponsorship, providing trial samples and packages, providing after sales services etc.; and (iii) through empowerment of our IP creation and operation business, such as Mr. Jay Chou-related IPs, i.e. using *ChouMate* trademark on packaging and featuring *MODONG* coffee in *J-Style Trip* season one by way of placing advertisement and/or product placement in such TV program. Our ability to combine our product portfolio to the use of its distributorship network and creative use and creation of IP and other marketing means for the promotion of our products in ways that save direct advertising costs;
2. ***Development and introduction of suitable new products*** – We have the ability to identify, research and develop, manufacture through contract arrangement and market *MODONG* coffee as our main product, which is well-received by end consumers. We believe such ability was critical to our significant growth during the Track Record Period;

Leveraging our experience in the successful commercialization of *MODONG* coffee, we are able to continue to develop and introduce new products to the market and accordingly diversify our product offerings which will generate growth in our business, such as *MODONG* probiotics lyophilized powder, and *MODONG* herb beverage etc.. Our management's abilities and insight in strategic planning and deployment of our products in the new retail segment were key to our quick expansion into the market within a short period of operations, thus helping us become one of the growing new retail operators in China with a focus on the sales of health management and skincare products primarily through social e-commerce channel. Without such capability, our Group would not be able to identify bulletproof coffee as a product that has sufficient unsatisfied market demand in the first place, and subsequently develop a product recipe and formula that finds favor among target consumers; and

3. ***Establishment of extensive sales channels*** – We were able to quickly establish our distribution network together with Kunshan Tingshe, which remains our strategic and long-term partner in our new retail business. By leveraging KOC's influence and PDT centered marketing strategies, our distribution network model is tailor-made for the new retail business which helps to extend our consumer reach, increase the awareness of our products through community and word-of-mouth promotion, and raise the sales volume of our products in the long term. We also developed e-commerce channels, where we could directly sell our products to end consumers through various online platforms, namely *Douyin* stores (which would normally be linked to E-commerce Livestreaming sessions of our celebrities or KOLs that promote our products).

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Our Directors consider the aforementioned factors will remain as the major and collective factors to the success and sustainability of our Group, rather than the standalone empowerment of Mr. Jay Chou-related IPs (being a sales marketing strategy), especially after *MODONG* coffee has become a leader in the bulletproof coffee market in the PRC. Based on the foregoing, our Group is able to conduct and sustain its business with the reduction of involvement of Mr. Jay Chou.

COOPERATION WITH MR. LIU KENG-HUNG AND MS. VIVI WANG

In November 2021, we established Talent Planet, a company held as to 70% by our Group and 30% by W&V, the artiste management company of Mr. Liu Keng-hung. Talent Planet entered into an agreement (being one of the Liu's Performance-related Cooperation Agreements) with Mr. Liu Keng-hung and W&V, pursuant to which Talent Planet shall provide planning and management services in respect of the entertainment and performance business of Mr. Liu Keng-hung in the PRC. Since then, we have been in active collaboration with Mr. Liu Keng-hung in his development into a KOL in the fitness and body-building sector in the PRC. Mr. Liu Keng-hung has been sharing workout videos on *Douyin*, featuring calisthenics originated from him, and his videos have become very popular since April 2022. The number of followers of Mr. Liu Keng-hung's *Douyin* account achieved a tenfold increase of 60 million new followers from April 2022 to May 2022. We believe such monthly growth in the number of followers was the fastest amongst all other accounts on *Douyin* in history so far. As at December 31, 2022, the number of followers of Mr. Liu Keng-hung's *Douyin* account further increased to approximately 71.5 million.

By appearing in Mr. Liu Keng-hung's Livestreaming sessions, Ms. Vivi Wang, has also gained popularity and attracted many followers. Ms. Vivi Wang has gained close to 4 million followers from April 2022 to June 2022, reaching approximately 4.2 million as of December 31, 2022.

With Mr. Liu Keng-hung and Ms. Vivi Wang gaining more popularity, we believe it would attract more opportunities for us to create more IPs, including TV programs, centered around them, in particular Mr. Liu Keng-hung. Thus, going forward, apart from creating more Mr. Liu Keng-hung-related IPs, including but not limited to, TV programs and nijigen-style personality(ies), it is our plan to leverage on his popularity to use such IP(s) to promote our new retail products by way of various means, such as featuring products in TV programs by way of placing advertisements and/or product placement to enhance product and brand exposure and placing nijigen-style personality(ies) on the packaging of our product(s) which would bring significant promotional effect to us. We believe that the remarkable achievement of Mr. Liu Keng-hung demonstrated our ability in collaborating with different celebrities to create popular IPs.

COOPERATION WITH CELEBRITIES

Cooperation under our IP creation and operation business

Cooperation in respect of events and IP programs of Mr. Liu Keng-hung

(a) Livestreaming and performances of Mr. Liu Keng-hung

Mr. Liu Keng-hung mainly shares workout videos during Livestreaming on his *Douyin* account, featuring calisthenics originated from him. As part of our celebrity IP management services, we are involved in the planning and development of Mr. Liu Keng-hung's public persona and profile on social medial platforms in order to attract audiences and/or followers with similar interests or concerns. In particular, we were involved in advising and selecting the target audience and originating and preparing the contents and presentation of his Livestreaming sessions, including Mr. Liu Keng-hung's outfit, the guest(s) to be invited, how the rhythm of Livestreaming sessions are controlled, and how Mr. Liu Keng-hung and his guest(s) interact with audiences of Livestreaming sessions, which are very critical in catching the attention of audiences and conveying the appropriate message to them.

The popularity of Mr. Liu Keng-hung has shown great potentials for various kinds of brand owners, including sports brand owners, with products of the relevant brand owners have been placed in Livestreaming sessions, online short videos and other online and offline performance that he appears for promotion, and creating more attention in the public regarding products being promoted there. We entered into a number of cooperative agreements with third party brand owners to promote their respective products, pursuant to which, we originated or prepared the contents and presentation of Livestreaming sessions, online short videos and other online and offline performance of Mr. Liu Keng-hung, such as development of ideas and production of content that links the respective brands to its target audience in order to create promotional effect.

In addition to Livestreaming sessions, we are also involved in the planning of certain IP programs that were centered around Mr. Liu Keng-hung, including a variety show on a leading social media platform in December 2021. For details, please refer to the section headed "Business – Our business – IP creation and operation – Historical IPs and IPs pipeline".

(b) Terms of cooperation agreements with Mr. Liu Keng-hung

On November 27, 2021, we entered into a master celebrity IP management agreement (as supplemented by a supplemental agreement dated January 3, 2022) (the "**November 2021 Agreement**") with W&V and Mr. Liu Keng-hung, pursuant to which W&V and Mr. Liu Keng-hung appointed us to act as the sole agent to manage Mr. Liu Keng-hung's commercial activities in the PRC. Under the November 2021 Agreement, the parties have agreed that, amongst others, Mr. Liu Keng-hung shall continue to be bound by such agreement even if W&V is no longer Mr. Liu Keng-hung's artiste management company.

COOPERATION WITH CELEBRITIES

To set out the details of our cooperation regarding Mr. Liu Keng-hung's entertainment and performance business in the PRC, we further entered into several cooperation agreements with, inter alia, Mr. Liu Keng-hung and W&V. In particular, Talent Planet entered into two sets of business cooperation agreements with its wholly-owned subsidiaries, conferring upon each subsidiary the non-exclusive rights to negotiate, execute and perform contracts concerning entertainment-related work involving Mr. Liu Keng-hung. Each set of business cooperation agreements consists of two agreements, one of which was entered into between Talent Planet and its subsidiary setting out the general principles of the scope of authorization (the "**Intra-group Business Cooperation Agreement**"). Another one was entered into by and among Talent Planet, the respective subsidiary and Mr. Liu Keng-hung with a key focus on revenue sharing arrangements of projects under the Intra-group Business Cooperation Agreement. The above agreements and the November 2021 Agreement are collectively referred to as the Liu's Performance-related Cooperation Agreements.

The following summarizes the salient terms of the Liu's Performance-related Cooperation Agreements:

Term: A term of ranging from two to three years ending on November 30, 2024. Talent Planet has the priority right to renew the relevant agreement over other third parties.

Responsibilities of parties to the agreement: Talent Planet has the exclusive right to provide planning and management services in respect of the entertainment and performance business of Mr. Liu Keng-hung in the PRC, including the strategic planning and development of Mr. Liu Keng-hung's public persona and profile on social media platforms. W&V (where applicable) and Mr. Liu Keng-hung shall cooperate with Talent Planet in executing the strategic plans and arrangements made, including but not limited to participation of press conference, variety shows, and charitable events. Mr. Liu Keng-hung shall also maintain a positive public image, and should not be involved in any activities that damage his reputation.

Fee arrangement: For all activities, functions or collaborations carried out during the term of the relevant agreement, each of Talent Planet, W&V (where applicable) and Mr. Liu Keng-hung shall be entitled to certain proportion of the revenue derived therefrom, depending on the ways of collaborations ^(Note).

Termination: These agreements can be terminated by any party thereto by giving three months' prior written notice, provided that the other party explicitly expresses that it will not perform its main obligations under the agreement, or if a party is in breach of the relevant agreement and such breach is not ratified in a reasonable time. W&V (where applicable) and Mr. Liu Keng-hung shall not terminate the relevant agreement unilaterally without prior written approval from Talent Planet.

Note: The revenue is recognized after netting off, among others, (i) the entitlements of other business partner(s) (if any); and (ii) operating costs of the relevant collaboration. Depending on the circumstances, further agreements may be entered into with specific details of the relevant collaboration and different fee allocation arrangements between the Group, Mr. Liu Keng-hung, and W&V set out therein. Depending on the relevant contract terms, we are entitled to sharing of sponsorship amounts from brand owners on agreed rates.

COOPERATION WITH CELEBRITIES

Enforceability of the agreements

As advised by the IP Counsel, the November 2021 Agreement is a tripartite agreement entered into by and among Talent Planet, W&V and Mr. Liu Keng-hung. As our subsidiary is a party to the November 2021 Agreement, we are able to procure Talent Planet to enforce the terms thereof against either or both W&V and Mr. Liu Keng-hung. Further, the November 2021 Agreement contains a clause to the effect that if Mr. Liu Keng-hung is no longer an artist under the management of W&V or otherwise W&V withdraws from collaboration projects under the November 2021 Agreement, then (i) Mr. Liu Keng-hung shall continue to perform the November 2021 Agreement; and (ii) our subsidiary shall remain as the exclusive artiste management company of Mr. Liu Keng-hung on a worldwide basis with respect to the scope of cooperation set out in the November 2021 Agreement, and Talent Planet shall separately discuss and confirm with Mr. Liu Keng-hung the manner in which Mr. Liu Keng-hung shall perform the November 2021 Agreement. In addition, any projects under the Intra-group Business Cooperation Agreement would have been entered into under the authorisation of Talent Planet (hence the authorization of Mr. Liu Keng-hung). Accordingly, the IP Counsel is of the view, and the Sole Sponsor concurs, that even if W&V is no longer Mr. Liu Keng-hung's artiste management company, Mr. Liu Keng-hung remains contractually bound by the November 2021 Agreement, hence our cooperations with Mr. Liu Keng-hung and interest under the Liu's Performance-related Cooperation Agreements will not be prejudiced in the event Mr. Liu Keng-hung is no longer an artist under the management of W&V or otherwise W&V withdraws from collaboration projects under Liu's Performance-related Cooperation Agreements, provided that the November 2021 Agreement remains valid and effective at the material time.

(c) Cooperation with the MCN Company

On November 26, 2021, Talent Planet entered into an artist cooperation agreement with the MCN Company and W&V, pursuant to which the parties agreed to cooperate in the IP content creation and management in respect of IP programs associated with Mr. Liu Keng-hung on certain designated online platforms, including *Douyin* and *Kuaishou*. Each of the MCN Company and Talent Planet would be entitled to 50% of the fees from brand owners (after deducting the relevant operating costs). Brand owners may enter into cooperation agreement with (i) the MCN Company, in which case the MCN Company would be treated as our customer who would transfer to us our share of the fees (i.e. 50% of the total fees (net of the relevant operating costs)); or (ii) our Group, in which case the brand owners would be treated as our customers and we are required to transfer to the MCN Company their share of the fees (i.e. 50% of the total fees (net of the relevant operating costs)). We would subsequently share the fees with W&V and Mr. Liu Keng-hung pursuant to the Liu's Performance-related Cooperation Agreements.

COOPERATION WITH CELEBRITIES

Cooperation in respect of events and IP programs of Ms. Vivi Wang

In July 2022, we entered into agreements with, among others, Ms. Vivi Wang regarding her entertainment and performance business in the PRC. The terms of such agreements are substantially the same as those Liu's Performance-related Cooperation Agreements as mentioned under the paragraph headed "Cooperation in respect of events and IP programs of Mr. Liu Keng-hung" above.

We collaborate with Ms. Vivi Wang to promote our products, including Matcha powder and *MODONG* light brewed coffee, through her E-commerce Livestreaming sessions in our *Douyin* account without the involvement of Mr. Liu Keng-hung. Apart from cooperating with our Group as a KOL, Ms. Vivi Wang is also our sales and marketing director, who is mainly responsible for, together with the Group, preparing contents and presentation of E-commerce Livestreaming sessions which she appears, and promoting our products.

Cooperation in respect of nijigen-style personalities inspired by Mr. Liu Keng-hung and Ms. Vivi Wang

Apart from cooperating with Mr. Liu Keng-hung regarding his entertainment and performance business in the PRC, we also cooperated with him in creating and design nijigen-style personalities inspired by him and his spouse. As our cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang regarding their respective entertainment and performance business in the PRC differ from our cooperation with them regarding nijigen-style personalities, in July 2022, we entered into the Liu-related Nijigen-style Personality(ies) Cooperation Agreement with Mr. Liu Keng-hung, Ms. Vivi Wang and W&V regarding the creation and design of nijigen-style personalities inspired by them. Pursuant to the Liu-related Nijigen-style Personality(ies) Cooperation Agreement, we shall develop and own nijigen-style personality(ies) related to Mr. Liu Keng-hung and Ms. Vivi Wang ("**Liu-related Nijigen-style Personality(ies)**"), and it was agreed that the relevant IP rights of the Liu-related Nijigen-style Personalities shall be wholly owned by Talent Planet.

As at the Latest Practicable Date, we launched and started to use various Liu-related Nijigen-style Personalities in the promotion of our products. For example, we used nijigen-style personalities of Mr. Liu Keng-hung and Ms. Vivi Wang, namely "*Coach Liu* (劉教練)" and "*Vivi*" in our special promotional gift set for Christmas in 2022.

Cooperation under our new retail business

We also leverage on popularity of Mr. Liu Keng-hung and Ms. Vivi Wang to empower the sale of our products through their related IPs. Please refer to the sections headed "Business – Our business – IP creation and operation – IP content creation and management – Celebrity IP management – Empowerment of our new retail sales" and "– Distribution network – Other e-commerce channels" in this prospectus for further details.

COOPERATION WITH CELEBRITIES

COOPERATION WITH MR. FANG

Mr. Fang is our chief cultural officer, and he will continue to develop various products and programs with us with strong traditional Chinese characteristics, such as tea, pottery and traditional Chinese clothing that incorporate elements of poetry and calligraphy created by Mr. Fang.

In December 2022, we entered into the following cooperation agreements regarding (i) the creation and design of nijigen-style personalities inspired by him; and (ii) the licensing of his existing nijigen-style personality. We believe that such traditional Chinese cultural influence of Mr. Fang's IP will appeal to the general public.

(i) Creation and design of nijigen-style personalities inspired by Mr. Fang

We entered into a cooperation agreement with Mr. Fang and his artiste management company, pursuant to which we shall have the right to use Mr. Fang's personal image to design, develop and create nijigen-style personalities, including but not limited to characters in cartoons, manga, games, and toys. The parties also agreed to co-own the intellectual property rights arising from such nijigen-style personalities, and that we will be solely responsible for the authorization of the nijigen-style personalities to third parties in the PRC region, under which Mr. Fang and his artiste management company will be entitled to a share of revenue with us. It is our responsibility to maintain Mr. Fang's good public image during the design, development and creation of the nijigen-style personalities, and Mr. Fang and his artiste management company are entitled to give suggestions to us during such processes.

(ii) Licensing of nijigen-style personality created by Mr. Fang

As Mr. Fang's artiste management company owns the intellectual property rights of an existing nijigen-style personalities, Punk Cat* (龐克貓), created by Mr. Fang, we entered into a two-year cooperation agreement with his artiste management company in relation to the IP authorization of such nijigen-style personalities. Pursuant to the agreement, we have the right to conduct IP licensing business in relation to Punk Cat in the PRC region, and Mr. Fang's artiste management company is entitled to a portion of the licensing fees that we receive from any third parties other than our associated companies.

COOPERATION WITH CELEBRITIES

OUR COOPERATION WITH CELEBRITIES AND KOLs

During the Track Record Period, we have been diversifying our portfolio of celebrities and related IPs by entering into cooperation with different celebrities or KOLs. As illustrated above, apart from Mr. Jay Chou, we also enter into cooperation with Mr. Harlem Yu, Mr. Liu Keng-hung, Ms. Vivi Wang and Mr. Fang. As at the Latest Practicable Date, we have also entered into cooperation agreements with certain Taiwan artists, namely, Chang Chieh (張傑), Lara Liang Xin-Yi (梁心頤) and Chan Yu-Hao (詹宇豪), and the artiste management company of Monica Chan Fat Yung, and a memorandum of understanding in respect of potential cooperation with Eric Suen Yiu Wai. All of these collaboration demonstrated that our Group's capability and access to cooperate with other celebrities and/or KOLs, other than merely with Mr. Jay Chou, whether by way of media content creation, event planning or the creation of nijigen-style personality. As at the Latest Practicable Date, all of the celebrities or KOLs that we preliminarily engaged for future cooperation were not artistes managed by our Controlling Shareholders and their respective associates (excluding our Group).

Given (i) our Group's historical success in IP creation and operation with celebrities, including the creation and design of nijigen-style personalities inspired by them, (ii) our management's extensive network/experience in the Chinese entertainment industry, (iii) our track record of engaging KOLs in the PRC for promoting our products during the Track Record Period, and (iv) cooperation with KOLs is not difficult as there is a great supply of KOLs in the PRC, our Directors do not expect any difficulty in diversifying its portfolio of celebrities and KOLs and expanding its IP repertoire.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Ms. Ma (through Harmony Culture, her wholly-owned company); Mr. Yang and Ms. Yeh (through Legend Key, their wholly-owned company in equal shares); and Mr. Chen (through Max One, his wholly-owned company) beneficially owned 27.6%, 27.6% and 9.2% of the issued share capital of our Company, respectively, and pursuant to the Concert Party Agreement entered into by our Founders on September 13, 2021, together they are collectively entitled to exercise control of approximately 64.5% voting powers of our Company.

Since Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen were together interested in our group companies in 2017 and throughout the Track Record Period, they have cooperated as parties acting in concert to exercise control over our Group and to develop the business of our Group. They have collectively made key decisions regarding our strategies and plans, including the production concept of different programs, establishment of various business lines and the development and creation of our IPs and brands and exercised control over our Group through cooperation with each other, which has been formalized in the Concert Party Arrangement. Accordingly, they are presumed to be parties acting in concert under the Takeovers Codes and, through their respective holding companies, are our Controlling Shareholders as of the date of this prospectus.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the Options under the Share Option Schemes), Harmony Culture, Legend Key and Max One will collectively be entitled to exercise voting rights of approximately 58.1% of our total issued Shares. Accordingly, Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen (through their respective holding companies) are our Controlling Shareholders.

Each of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen are our Founder. Ms. Ma is the chairperson of our Board and our executive Director. Each of Mr. Yang and Mr. Chen are our non-executive Director. Ms. Yeh is the mother of Mr. Jay Chou and an investment partner of Mr. Yang.

CONCERT PARTY AGREEMENT

In order to strengthen voting rights in our Company, our Founders entered into the Concert Party Agreement pursuant to which, among others, (i) the Founders shall act in concert in respect of their voting rights and actively cooperate to consolidate control over voting rights of our Company, and (ii) our Founders also acknowledged that since each of them had a beneficial interest in our Group to the date thereof, they have been acting in concert and operating and exercising their voting rights in a consistent manner.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

COMPETING INTERESTS

Each of our Controlling Shareholders and Directors confirms that, as of the Latest Practicable Date, he/she or it or their respective close associates did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Deed of Non-competition

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company under which each of our Controlling Shareholders has, warranted and undertaken to our Company that he/she/it shall not, and he/she/it shall use his/her/its best endeavors to procure that none of his/her/its close associates (other than any member of our Group) shall, directly or indirectly as principal or agent, either on his/her/its own account or in conjunction with or on behalf of any person, or through any entities (except in or through any members of our Group), compete with our business as disclosed in this prospectus (the “**Restricted Business**”).

The Deed of Non-competition given by our Controlling Shareholders does not apply to:

- (a) the relevant Controlling Shareholder’s holding of interests in the shares of a company where the total number of shares directly or indirectly held by our Controlling Shareholders, and/or his/her/its respective close associates in aggregate does not exceed 10% of the issued shares of the relevant company or control the exercise of more than 10% of the voting rights thereof, or control the composition of a majority of the board of directors of such company; and
- (b) the Forgone Business Opportunity (as defined in the Deed of Non-competition) which our Company has confirmed that it does not intend to pursue.

The respective obligations of each of our Controlling Shareholders under the Deed of Non-competition shall take effect from the Listing Date, and shall terminate on the earliest of (i) the Shares cease to be listed on the Stock Exchange; (ii) our Controlling Shareholders and their close associates, individually or jointly, cease to hold or control 30% or more of the entire share capital of the Company; and (iii) any one of our Controlling Shareholders together with its/his/her close associates cease to hold or control, directly or indirectly, any securities in the entire share capital of our Company.

Our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertakings under the Deed of Non-competition in our annual reports. Our Controlling

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Shareholders will make an annual confirmation on their compliance with the non-competition undertakings under the Deed of Non-competition in our annual reports.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Pursuant to our Reorganization, all companies and businesses of our Controlling Shareholders related to, or incidental to, the operation of our Group were transferred to our Company. We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management independence

Our business is managed by our Board and senior management. Our Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. Our senior management consists of seven members. Our Directors and senior management team have sufficient expertise and experience to handle the day-to-day management and operations of our Group.

Our Directors are of the view that our Board together with our senior management team is able to manage our business independently from our Controlling Shareholders for the following reasons:

- (a) there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. In addition, our Directors shall not vote in any Board resolution approving any contract, arrangement or proposal which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting;
- (b) we have three independent non-executive Directors, who help to enhance the independence of our management;
- (c) our senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders; and
- (d) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director. For instance, when our Board considers any resolution which are related to the cooperation with JVR Music, Mr. Yang (being a director of our Company and JVR Music) will abstain from voting on the relevant resolution.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational independence

Our Company (through its operating subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out its business in all material respects, and has sufficient capital, equipment, production facilities and employees to operate our business independently from our Controlling Shareholders. We do not rely on any of our Controlling Shareholders' respective operational, administration or human resources services. Further, we do not have any recurring transactions with our Controlling Shareholders and their respective close associates.

In addition, we have established our organizational structure which is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that our Group has been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial independence

All loans, advances and balances due from our Controlling Shareholders and their respective close associates and all loans, advances and balances due to our Controlling Shareholders and their respective close associates will be repaid before Listing. All share pledges and guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will also be fully released upon Listing.

Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates. In addition, we have our own internal control systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Based on the above, our Directors are of the view that our Company will have the ability to operate independently from our Controlling Shareholders and their respective close associates from a financial perspective and to maintain financial independence from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules.

Each of our Controlling Shareholders and Directors has confirmed that he/she/it fully comprehends his/her/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) our Articles provided that a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself or herself from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we have established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of his/her/its associates, the Company will comply with the applicable Listing Rules;
- (d) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders;
- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our expenses;
- (f) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertakings under the Deed of Non-competition by our Controlling Shareholders, the options, pre-emptive rights or first rights of refusals provided by our Controlling Shareholders on their existing or future competing businesses; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (g) we have appointed CMBC International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at general meetings, determining our business and development plans, preparing our annual financial budgets and financial reports, formulating proposals for dividend distributions and for the increase or reduction of our authorized share capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

The table below sets out certain information in relation to our Directors and senior management (“**Senior Management**”):

Members of our Board

| Name | Age | Date of joining our Group | Date of appointment as Director | Existing position(s) in our Company | Principal responsibilities | Relationship with other Directors and Senior Management |
|--------------------------------------|-----|-----------------------------|---------------------------------|---|--|---|
| Ms. Ma, Hsin-Ting (馬心婷) | 47 | November 2015 <i>(Note)</i> | September 13, 2021 | Chairperson of the Board and executive Director | Responsible for overall business strategy, daily management and operations of our Group | Nil |
| Dr. Qian, Sam Zhongshan (錢中山) | 59 | April 2017 | September 13, 2021 | Executive Director and chief executive officer | Responsible for overall business strategy and corporate finance strategy of our Group | Nil |
| Mr. Lai, Kwok Fai Franki (賴國輝) | 58 | November 2015 <i>(Note)</i> | September 13, 2021 | Executive Director and chief financial officer | Responsible for overall financial management and corporate finance strategy of our Group | Nil |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Age | Date of joining our Group | Date of appointment as Director | Existing position(s) in our Company | Principal responsibilities | Relationship with other Directors and Senior Management |
|---|-----|---------------------------|---------------------------------|-------------------------------------|---|---|
| Mr. Yang, Chun-Jung (楊峻榮) | 59 | August 2017 | September 13, 2021 | Non-executive Director | Responsible for advising on the overall development of our Group | Nil |
| Mr. Chen, Chung (陳中) | 62 | August 2017 | September 13, 2021 | Non-executive Director | Responsible for advising on the overall development of our Group | Nil |
| Dr. Xue Jun (薛軍) | 48 | April 2023 | April 18, 2023 | Independent non-executive Director | Responsible for providing independent advice on the operation and management of our Group | Nil |
| Mr. Yang, Dave De | 57 | April 2023 | April 18, 2023 | Independent non-executive Director | Responsible for providing independent advice on the operation and management of our Group | Nil |
| Ms. Chung, Elizabeth Ching Yee (鍾靜儀) | 52 | April 2023 | April 18, 2023 | Independent non-executive Director | Responsible for providing independent advice on the operation and management of our Group | Nil |

DIRECTORS AND SENIOR MANAGEMENT

Members of our senior management

| Name | Age | Date of joining our Group | Date of appointment as senior management of our Group | Existing position(s) in our Company | Principal responsibilities | Relationship with other Directors and Senior Management |
|--------------------------------------|-----|---------------------------------|---|---|---|---|
| Ms. Ma, Hsin-Ting (馬心婷) | 47 | November 2015 ^(Note) | November 2015 | Chairperson of the Board and executive Director | Responsible for overall business strategy, daily management and operations of our Group | Nil |
| Dr. Qian, Sam Zhongshan (錢中山) | 59 | April 2017 | October 2020 | Executive Director and chief executive officer | Responsible for overall business strategy and corporate finance strategy of our Group | Nil |
| Mr. Lai, Kwok Fai Franki (賴國輝) | 58 | November 2015 ^(Note) | November 2015 | Executive Director and chief financial officer | Responsible for overall financial management and corporate finance strategy of our Group | Nil |
| Ms. Zhou, Peimin (周佩敏) | 45 | April 2017 | April 2019 | Chief operating officer | Responsible for developing IP strategy and IP licensing business and related daily management and operations of our Group | Nil |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Age | Date of joining our Group | Date of appointment as senior management of our Group | Existing position(s) in our Company | Principal responsibilities | Relationship with other Directors and Senior Management |
|-------------------------------|-----|---------------------------|---|-------------------------------------|---|---|
| Mr. Chang, Chih-Peng (張志鵬) | 54 | April 2017 | December 2017 | Chief program officer | Responsible for developing entertainment IP strategy and related daily management and operations of our Group | Nil |
| Mr. Fang, Wenshan (方文山) | 54 | February 2021 | February 2021 | Chief cultural officer | Responsible for marketing and advertising the Group's products and creative strategy planning of our Group | Nil |
| Ms. Jiang, Xiuhong (江秀虹) | 44 | November 2017 | March 2019 | Operation director | Responsible for managing product marketing and sales strategies of our Group | Nil |

Note: Prior to the commencement of our business operations in 2017, Ms. Ma and Mr. Lai were involved in the planning of the Listing Business and negotiations with potential business partners.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Ma, Hsin-Ting (馬心婷), aged 47, joined our Group in November 2015 and is one of our Founders. Ms. Ma was the chief executive officer of Star Plus (Kunshan) from November 2015 to August 2018. Ms. Ma was appointed as our executive Director and chairperson of our Board in September 2021, and has also been the chief executive officer of Kunshan Star Plus Action and Beijing Star Plus Legend since March 2016 and June 2020, respectively. Ms. Ma is primarily responsible for overall business strategy, daily management and operations of our Group and has been responsible for overseeing the sales function of our Group and the branding of our products. She has also been heavily involved in the establishment of the distribution system and network for *MODONG* coffee. Ms. Ma has more than 20 years of working experience in cultural, media and financial industries.

Prior to founding our Group, Ms. Ma served in Taiwan Eastern Broadcasting Co., Ltd. (東森電視事業股份有限公司) from December 1997 to April 2007, with her last position as news producer. Ms. Ma served as consultant in a company held by IDG Capital from August 2008 to March 2020, where she was primarily responsible for providing investment-related advisory services. In May 2022, Ms. Ma was appointed as an expert of the Brand Committee (品牌方專委會專家) of the New Retail and Livestream E-commerce Expert Committee (新零售和直播電商專家委員會) established by the Development Research Center of the State Administration for Market Regulation.

Ms. Ma was a supervisor of the following dissolved companies and confirmed that they were solvent immediately prior to its dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of establishment</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|---|-------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Shin Kong International Commerce (Shanghai) Company Limited (新光國際商貿(上海)有限公司) | PRC | Dissolved by deregistration | October 27, 2020 | No business operations |
| Beijing Superstar Daren Cultural Development Co., Ltd. (北京巨星達人文化發展有限公司) | PRC | Dissolved by deregistration | July 30, 2021 | No business operations |

Ms. Ma obtained a master's degree in marketing and distribution management from National Kaohsiung University of Science and Technology (formerly known as National Kaohsiung First University of Science and Technology) in June 2003 and a college degree in Japanese language from Wenzao Ursuline University of Languages (formerly known as Wenzao Ursuline College of Languages (私立文藻外國語文專科學校)) in June 1995.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Qian, Sam Zhongshan (錢中山), aged 59, joined our Group in April 2017 as a consultant of Star Plus (Kunshan) and was appointed as the strategy officer of Star Plus (Kunshan) in August 2018. Dr. Qian was appointed as the chief executive officer of Star Plus Development in October 2020. Dr. Qian was appointed as our chief executive officer and executive Director in September 2021. Dr. Qian is primarily responsible for overall business strategy and corporate finance strategy of our Group. Dr. Qian has over 20 years of experience in financial market and management of public companies.

Prior to joining our Group, Dr. Qian served as an associate in the strategic trading division of Chase Manhattan Bank from December 1993 to July 1996; associate director in the risk finance group of Barclays Capital, an investment bank, from July 1996 to February 2000; vice president in Sohu.com Limited (formerly known as Sohu.com Inc.), the shares of which are listed on the Nasdaq Stock Market (NASDAQ: SOHU), a company principally engaged in brand advertising and online games, from March 2000 to March 2004, where he was in charge of strategising business plans. Dr. Qian served as the president and chief financial officer of China Finance Online Co., Ltd, the shares of which are listed on the Nasdaq Stock Market (NASDAQ: JRJC), a web-based financial information/service company, from April 2004 to June 2006, where he supervised works relating to finance, investors relations and administration. Dr. Qian also served as the chief financial officer of Allyes Information Technology Company Limited (好耶信息技術(上海)有限公司), a company principally engaged in online marketing, from June 2006 to April 2007, where he supervised the financial operations of the company; and the managing director of ExaByte Capital Management (HK) Limited, an asset management company, from April 2012 to December 2016, where he participated in the formulation of strategies.

Dr. Qian has served as an independent non-executive director of Yoho Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2347) since May 2022.

Dr. Qian obtained a Doctor of Philosophy degree in astro-physics from Columbia University in the United States in February 1991 and a bachelor's degree in physics from the University of Science and Technology of China in June 1985.

Mr. Lai, Kwok Fai Franki (賴國輝), aged 58, joined our Group in November 2015 as the vice president of finance of Star Plus (Kunshan). Mr. Lai was appointed as our executive Director and chief financial officer in September 2021. Mr. Lai is also the director of Star Plus Development and the general manager and director of Star Plus (Kunshan) and Beijing Star Plus Master. Mr. Lai is primarily responsible for overall financial management and corporate finance strategy of our Group. Mr. Lai has over 30 years of working experience in accounting and financial advisory.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Lai served at Citibank, N.A. from October 1989 to September 2000, with his last position as Vice President of the Worldwide Securities Services Department; and JPMorgan Chase & Co. from September 2000 to February 2008, with his last position as executive director of the treasury & securities services department, where he was responsible for providing investment-related advisory services. Mr. Lai served as chief financial officer of Net Movie Limited from March 2008 to March 2015, where he was responsible for formulating the financial strategies; and the general manager of each of Kunshan Dream World Commercial Management Company Limited (昆山夢世界商業管理有限公司) from April 2015 to December 2017, and China Dream World (HK) Limited from January 2018 to February 2021, respectively, which were both engaged in cultural project management where he was responsible for formulating financial strategies.

Mr. Lai served as an executive director of China Digital Culture (Group) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8175) from July 2016 to March 2020.

Mr. Lai was a director of the following dissolved companies and confirmed that they were solvent immediately prior to their dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of establishment</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|---|-------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Weifang Sidapu Business Management Company Limited (濰坊斯達普商業管理有限公司) | PRC | Dissolved by deregistration | October 28, 2020 | No business operations |
| Shangrao Chengda Zhipai Technology Company Limited (上饒市呈達致派科技有限公司) | PRC | Dissolved by deregistration | June 22, 2020 | No business operations |
| Beijing Superstar Daren Cultural Development Co., Ltd. (北京巨星達人文化發展有限公司) | PRC | Dissolved by deregistration | July 30, 2021 | No business operations |

Mr. Lai obtained a bachelor's degree in computing studies from Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1989.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Yang, Chun-Jung (楊峻榮), aged 59, is one of our Founders. Mr. Yang was appointed as our non-executive Director in September 2021. Mr. Yang is responsible for advising on the overall development of our Group. Mr. Yang is an established music album producer with more than 20 years of experience in the music industry and artiste management.

Mr. Yang has been the chief executive officer, director and controlling shareholder of JVR Music, the artiste management company of various celebrities including Mr. Jay Chou, since April 2007, where he is responsible for the provision of artiste management service to celebrities and acted as the agent of celebrities including Mr. Jay Chou. He also assists celebrities in relation to the creation and production of songs and music albums.

Mr. Yang has been a non-executive director of G.H.Y Culture & Media Holding Co., Limited since November 2020, the shares of which are listed on the Main Board of Singapore Exchange Securities Trading Limited (SGX: XJB).

Mr. Yang obtained a bachelor's degree in agricultural promotion from National Taiwan University in June 1987.

Mr. Chen, Chung (陳中), aged 62, is one of our Founders. He was appointed as our non-executive Director in September 2021. Mr. Chen is responsible for advising on the overall development of our Group. Mr. Chen has over 15 years of working experience in artiste management.

Mr. Chen has served as the general manager of Juicy Music Co Ltd (巨室音樂娛樂製作有限公司), a company principally engaged in artiste management, since 2005, where he has been responsible for the negotiation of endorsement agreements for various artists, including Mr. Jay Chou, and execution of concerts.

Mr. Chen was a director of the following dissolved company and confirmed that it was solvent immediately prior to its dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of incorporation</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|--|-------------------------------|-----------------------------|-------------------------------|--|
| Chongqing Boer Pusi Culture Communication Culture Co., Ltd. (重慶博爾普斯文化傳播有限公司) | PRC | Dissolved by deregistration | December 6, 2016 | Voluntary deregistration as agreed by shareholders |

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Dr. Xue Jun (薛軍), aged 48, joined our Group as our independent non-executive Director in April 2023. Dr. Xue is responsible for providing independent advice on the operation and management of our Group. Dr. Xue has considerable professional experience in the legal field, in particular, e-commerce related laws in the PRC.

Dr. Xue has been working at the Peking University since 2005 and is currently a professor and vice dean at the Law School of Peking University (北京大學), and the director of e-commerce law research center of Peking University. Dr. Xue was a legal advisor of SAMR and a legislative expert consultant of the Financial and Economic Committee of the National People's Congress from September 2016 to March 2018, participating in the legislative work of e-commerce related laws.

In July 1996 and June 2000, Dr. Xue received a bachelors of laws degree and master's degree in civil and commercial laws from Zhongnan University of Economics and Law (中南財經政法大學) (previously known as Zhongnan University of Political Science and Law (中南政法學院)) and Zhongnan University of Economics and Law (中南財經政法大學) respectively. In October 2005, Dr. Xue obtained his doctorate in Roman law from Università degli Studi di Roma Tor Vergata.

Dr. Xue has served as an independent non-executive director of Sino-Ocean Service Holding Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6677) since November 2020.

Mr. Yang, Dave De (former name: Yang Dezhi (楊德志)), aged 57, joined our Group as our independent non-executive Director in April 2023. Mr. Yang is responsible for providing independent advice on the operation and management of our Group.

Mr. Yang served as the regional finance director for the North Asia region of Reckitt Benckiser Group PLC, the shares of which are listed on the London Stock Exchange (LON: RB), a company providing hygiene, health and nutrition products, from September 2012 to September 2016; and partner and chief financial officer of Dalton International, from January 2017 to February 2019.

Mr. Yang served as an independent director and chairperson of the audit committee of ChangYou.com Limited, a company previously listed on the Nasdaq Stock Market (NASDAQ: CYOU) from April 2009 to April 2020; and has been an independent director and member of the audit committee of Sohu.com Limited (formerly known as Sohu.com Inc.), the shares of which are listed on the Nasdaq Stock Market (NASDAQ: SOHU) since April 2017.

Mr. Yang obtained a master's degree in science from the City University of New York in June 1995, a master's degree in management engineering from the University of Science and Technology of China (中國科學技術大學) in August 1989, and bachelor's degree in geophysics from the University of Science and Technology of China in July 1986.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chung, Elizabeth Ching Yee (鍾靜儀), aged 52, joined our Group as our independent non-executive Director in April 2023. Ms. Chung is responsible for providing independent advice on the operation and management of our Group.

Ms. Chung was appointed as an executive director and the chief executive officer of China Brilliant Global Limited (a company listed on the GEM of the Stock Exchange, stock code: 8026) on May 18, 2018. Prior to that, she was appointed as chief executive officer and executive director of Paganini Milano (SG) PTE Limited in 2017, responsible for brand positioning, strategic planning, and business development. Ms. Chung was an employee of BOCI Securities Limited and HSBC Broking Securities (Asia) Limited from April 2003 to April 2017.

Ms. Chung was a director of the following dissolved companies and confirmed that they were solvent immediately prior to their dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of establishment</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|-----------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Collezione Paganini Limited | Hong Kong | Dissolved by deregistration | April 1, 2022 | No business operation |
| Angel Master Limited | Hong Kong | Dissolved by deregistration | January 28, 2022 | No business operation |

Ms. Chung obtained a bachelor of science degree from Rutgers, The State University of New Jersey in October 1994.

Save as disclosed above, none of our Directors held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date. Please refer to the section headed “Statutory and general information – C. Further information about our Directors and Substantial Shareholders” in Appendix V to this Prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of interests of the Directors in our Shares. Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our Senior Management are responsible for the day-to-day operations and management of our business. For information concerning our Senior Management who also serve as executive Directors, please refer to the paragraph headed “– Board of Directors – Executive Directors” in this section above. Members of our Senior Management, in addition to the executive Directors, are as follows:

Ms. Zhou, Peimin (周佩敏), aged 45, joined our Group in April 2017 as a consultant of Star Plus (Kunshan) and was appointed as the chief operating officer of Star Plus (Kunshan) in April 2019 and director and general manager of Beijing Star Plus Legend in August 2020. Ms. Zhou was appointed as our chief operating officer in September 2021. Ms. Zhou is responsible for developing IP strategy and IP licensing business and related daily management and operations of our Group. Ms. Zhou has approximately 20 years of working experience in retail industry and intellectual property related work.

Prior to joining our Group, Ms. Zhou worked in Shanghai SEB Electric Appliances Co., Ltd. (上海賽博電器有限公司), from July 2000 to June 2003 and Adidas (Suzhou) Co., Ltd. (阿迪達斯(蘇州)有限公司), from October 2003 to December 2005. Ms. Zhou also served as a senior manager of the Digital Business Development department in The Walt Disney Company (China) Limited (華特迪士尼(中國)有限公司) from January 2006 to March 2018.

Ms. Zhou obtained a bachelor’s degree in computer science from Shanghai University of Engineering Science (上海工程技術大學) in July 2000.

Ms. Zhou was a director of the following dissolved company and she confirmed that the dissolved company was solvent immediately prior to its dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of incorporation</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|-------------------------------|-------------------------------|---------------------------|-------------------------------|----------------------------------|
| Costarry Culture (HK) Limited | Hong Kong | Dissolved by striking off | October 11, 2019 | No business operations |

Mr. Chang, Chih-Peng (張志鵬), aged 54, joined our Group in April 2017 as a consultant of Star Plus (Kunshan) and was appointed as the director and general manager of Beijing Star Plus Master and our chief program officer in December 2017 and September 2021, respectively. Mr. Chang is responsible for developing entertainment IP strategy and related daily management and operations of our Group. Mr. Chang has more than 25 years of working experience in program production.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. Chang was a producer of entertainment programs including The Fantastic Brothers (《龍兄虎弟》), which was aired from 1993 to 2000, and Hello Jacky (《綜藝旗艦》). Mr. Chang served as the general manager in Beijing Master, a company principally engaged in production and distribution of television and online program, from June 2012 to November 2017. Mr. Chang also served as general manager in Shanghai Bright Culture Broadcasting Company Limited (上海光芒文化傳播有限公司) from January 2008 to November 2017.

Mr. Chang obtained a diploma in radio and television from National School of Arts (now known as National Taiwan University of Arts (國立臺灣藝術大學)) in June 1990.

Mr. Fang, Wenshan (方文山), aged 54, joined our Group in February 2021 as the chief cultural officer of Star Plus Development and was appointed as our chief cultural officer in September 2021. Mr. Fang is responsible for marketing and advertising the Group's products and creative strategy planning of our Group. Mr. Fang has approximately 20 years of working experience in songwriting and cultural creation.

Mr. Fang is a lyricist of Chinese pop music and a music producer. Mr. Fang joined JVR Music in April 2007, where he was responsible for songwriting; has served as the chief executive officer in Fang-Wen-Shan Cultural Media Limited (方道文山流創意有限公司) since August 2007, a company principally engaged in providing art performance agency services, where he has been mainly responsible for management and operations; the chairman of the board of Elf Village Creative Land Company Limited (精靈村莊創意國度有限公司) since March 2017, a company principally engaged in manufacturing cultural and creative products and execution of art exhibitions, where he has been mainly responsible for managing the operation of the company; and the chief executive officer in Beijing Fang-Wen-Shan Cultural Media Limited (北京方道文山流文化傳媒有限公司) since February 2011, a company principally engaged in providing artiste management services, where he has been mainly responsible for managing the operation of the company. Mr. Fang was involved in the creation of lyrics and cultural products at these companies.

Mr. Fang received the best lyricist award for the 13th and 19th Golden Melody Awards in 2002 and 2008, respectively.

Ms. Jiang, Xiuhong (江秀虹), aged 44, joined our Group in November 2017 as a consultant of Kunshan Star Plus Action and served as Kunshan Star Plus Action's operation director since March 2019 and was responsible for the operation of its new retail business operations. Ms. Jiang was appointed as our operation director in September 2021 and is responsible for managing product marketing and sales strategies of our Group. Ms. Jiang has approximately 15 years of working experience in sales industry.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Jiang served as an assistant to the operation director in Shenzhen Sanda Cosmetic Co., Ltd (深圳市仙迪化妝品股份有限公司), a company principally engaged in sales of cosmetic products, from August 2007 to May 2010; the marketing director of Guangzhou Cating Cosmetics Co., Ltd. (廣州卡婷化妝品有限公司) from June 2010 to February 2017, where she was responsible for handling the marketing activities; and the marketing director of Guangzhou Qingcong Trading Co., Ltd. (廣州青蔥貿易有限公司), a company principally engaged in social e-commerce, from February 2017 to February 2019, where she was responsible for handling promotion activities.

Ms. Jiang was a supervisor of the following dissolved company and confirmed that the dissolved company was solvent immediately prior to their dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

| <u>Company name</u> | <u>Place of incorporation</u> | <u>Status</u> | <u>Date of deregistration</u> | <u>Reason for deregistration</u> |
|---|-------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Weifang Sidapu Business Management Company Limited (濰坊斯達普商業管理有限公司) | PRC | Dissolved by deregistration | October 2, 2020 | No business operations |

Ms. Jiang graduated from Shantou Nanhai Vocational High School in July 1997.

COMPANY SECRETARY

Ms. Law Kwok Wing (羅軾詠), aged 37, was appointed as our company secretary on September 13, 2021 and is responsible for our company secretarial affairs.

Ms. Law has over five years of experience in the auditing field and over six years of experience in compliance and corporate governance matters for various listed companies in Hong Kong. From January 2012 to January 2014, she worked at Deloitte Touche Tohmatsu as a senior of its audit department. From March 2014 to January 2021, she worked at Greater China Appraisal Limited with her last position as a manager of its professional development and standards division. Since January 2021, Ms. Law has been working at Acclime Corporate Services Limited which has been amalgamated with BPO Global Services Limited as senior manager of its listed company division.

Ms. Law obtained a bachelor's degree in business administration from Lingnan University in Hong Kong in October 2008. Ms. Law has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013.

During the three years preceding the Latest Practicable Date, Ms. Law did not hold any directorships in any company listed in Hong Kong or overseas.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit committee consists of three members, namely Mr. Yang, Dave De, Dr. Xue, Jun (薛軍) and Ms. Chung, Elizabeth Ching Yee (鍾靜儀). The chairperson of the audit committee is Mr. Yang, Dave De.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to establish, review and provide advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, make recommendations to our Board the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time. The remuneration committee consists of three members, namely Ms. Chung, Elizabeth Ching Yee (鍾靜儀), Ms. Ma, Hsin-Ting (馬心婷) and Mr. Yang, Dave De. The chairperson of the remuneration committee is Ms. Chung, Elizabeth Ching Yee (鍾靜儀).

Nomination committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors. The nomination committee consists of three members, namely Ms. Ma, Hsin-Ting (馬心婷), Dr. Xue, Jun (薛軍) and Ms. Chung, Elizabeth Ching Yee (鍾靜儀). The chairperson of the nomination committee is Ms. Ma, Hsin-Ting (馬心婷).

DIRECTORS AND SENIOR MANAGEMENT

Emolument of Directors and senior management

Our Directors and senior management receive emolument in the form of salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance.

The remuneration payable to our Directors in aggregate (including share-based compensation) for each of the four years ended December 31, 2022 were nil, RMB0.4 million, RMB4.8 million and RMB4.5 million, respectively. None of our Directors had waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid or are payable by our Company to our Directors during the Track Record Period.

Our Company's five highest paid individuals includes nil, nil, three and three Directors for each of the four years ended December 31, 2022, respectively. The aggregate remuneration payable to the five highest individuals who are not Directors (including share-based compensation) for each of the four years ended December 31, 2022, were RMB2.1 million, RMB3.5 million, RMB2.7 million and RMB3.3 million, respectively. During the Track Record Period, no remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group, and save as required by relevant laws and regulations, no compensation was made by us to our Directors for the loss of office during the Track Record Period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (excluding share-based payments and discretionary bonuses) payable to our Directors by our Company for the year ending December 31, 2023 is estimated to be approximately RMB3.6 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above, no other payments had been made, or were payable, by any member of our Group to our Directors during the Track Record Period. For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 8 of the section headed Accountant's Report in Appendix I to this Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the criteria in selecting candidates to our Board, to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Board Diversity Policy is well implemented as our Board currently consists of both female and male Directors with a mix of cultural and education background, professional qualifications, skills, knowledge, and industry experience. We believe they can contribute different knowledge, skills and industry experience, such as overall management, strategic development, financial and accounting and investment. The Board is of the view that our Board achieves the board diversity requirement in our Board Diversity Policy.

We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

Our nomination committee is delegated by our Board to review and assess the composition of the Board and make recommendations to the Board on measurable objectives for achieving diversity and appointment of members of the Board. The nomination committee will also review the Board Diversity Policy from time to time and include in successive annual reports a summary of the Board Diversity Policy and the progress on achieving these objectives.

PRE-IPO STOCK INCENTIVE PLAN AND POST-IPO SHARE OPTION SCHEME

Our Company adopted the Pre-IPO Stock Incentive Plan on August 3, 2020 and conditionally adopted the Post-IPO Share Option Scheme on June 19, 2023, pursuant to which new Shares will be granted to eligible Directors and employees. The principal terms of the Pre-IPO Stock Incentive Plan and the Post-IPO Share Option Scheme are summarized in the section headed “Statutory and general information – D. Share Option Schemes” in Appendix V to this prospectus.

COMPLIANCE ADVISER

Our Group has appointed CMBC International Capital Limited as our compliance adviser upon the listing of our Shares on the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser’s agreement entered into between our Group and the compliance adviser are as follows:

- (1) the compliance adviser shall provide our Group with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Group to any meetings with the Stock Exchange;

DIRECTORS AND SENIOR MANAGEMENT

- (2) our Group may terminate the appointment of the compliance adviser by giving a no less than seven days' prior written notice to the compliance adviser. Our Group will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and
- (3) during the period of appointment, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
 - (c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
 - (d) where the Stock Exchange makes an inquiry of our Group regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing.

COMPETITION

None of our Directors have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, the following persons will, immediately prior to and following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes), have interests or short positions in our Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company:

| Name of Shareholder | Nature of Interest | Shares held immediately prior to the Capitalization Issue and the Global Offering | | Shares held immediately following the completion of the Capitalization Issue and the Global Offering ⁽²⁾ | |
|---|--|---|------------------------|---|------------------------|
| | | Number | Approximate percentage | Number | Approximate percentage |
| Harmony Culture | Beneficial interest | 150,000,000 (L) | 27.6% | 199,302,054 (L) | 24.9% |
| Ms. Ma ⁽³⁾⁽⁴⁾ | Interest in a controlled corporation/interest of party acting in concert | 350,000,000 (L) | 64.5% | 465,038,126 (L) | 58.1% |
| Legend Key | Beneficial interest | 150,000,000 (L) | 27.6% | 199,302,054 (L) | 24.9% |
| Mr. Yang ⁽⁴⁾⁽⁵⁾ | Interest in a controlled corporation/interest of party acting in concert | 350,000,000 (L) | 64.5% | 465,038,126 (L) | 58.1% |
| Ms. Yeh ⁽⁴⁾⁽⁵⁾ | Interest in a controlled corporation/interest of party acting in concert | 350,000,000 (L) | 64.5% | 465,038,126 (L) | 58.1% |
| Max One | Beneficial interest | 50,000,000 (L) | 9.2% | 66,434,018 (L) | 8.3% |
| Mr. Chen ⁽⁴⁾⁽⁶⁾ | Interest in a controlled corporation/interest of party acting in concert | 350,000,000 (L) | 64.5% | 465,038,126 (L) | 58.1% |
| Mr. Lai | Beneficial interest | 75,000,000 (L) | 13.8% | 99,651,027 (L) | 12.5% |
| Lake Ranch | Beneficial interest | 62,500,000 (L) | 11.5% | 35,042,523 (L) | 4.4% |
| Mr. Ho ⁽⁷⁾ | Interest in a controlled corporation | 70,380,769 (L) | 13.0% | 45,513,546 (L) | 5.7% |
| Bradbury | Beneficial interest | 30,094,112 (L) | 5.5% | 39,985,456 (L) | 5.0% |
| Bradbury Strategic Investment Fund A ⁽⁸⁾ | Interest in a controlled corporation | 30,094,112 (L) | 5.5% | 39,985,456 (L) | 5.0% |
| Bradbury Fund Management Limited ⁽⁸⁾ | Interest in a controlled corporation | 30,094,112 (L) | 5.5% | 39,985,456 (L) | 5.0% |
| Mr. Loo, See Yuen ⁽⁸⁾ | Interest in a controlled corporation | 30,094,112 (L) | 5.5% | 39,985,456 (L) | 5.0% |

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes).
- (3) Harmony Culture is wholly owned by Ms. Ma. As such, Ms. Ma is deemed to be interested in the Shares held by Harmony Culture under the SFO.
- (4) Pursuant to the Concert Party Agreement, Ms. Ma, Mr. Yang, Ms. Yeh, and Mr. Chen have agreed, among other things, that they shall act in concert in respect of their voting rights and actively cooperate to consolidate control over voting rights of our Company. Accordingly, Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen are parties acting in concert (having the meaning ascribed to it under the Takeovers Codes); and each of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen is deemed to be interested in all the Shares in which each of them is interested under the SFO. For further details, please refer to “Relationship with our Controlling Shareholders – Concert Party Agreement” in this prospectus.
- (5) Legend Key is beneficially and owned by Mr. Yang and Ms. Yeh as to 50% and 50%, respectively. As such, each of Mr. Yang and Ms. Yeh is deemed to be interested in the Shares held by Legend Key under the SFO.
- (6) Max One is wholly owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in the Shares held by Max One under the SFO.
- (7) Lake Ranch is beneficially and wholly owned by Mr. Ho. As such, Mr. Ho is deemed to be interested in the Shares held by Lake Ranch under the SFO.
- (8) Bradbury is wholly owned by Bradbury Strategic Investment Fund A, which is in turn wholly owned by Bradbury Fund Management Limited. Bradbury Fund Management Limited is wholly owned by Mr. Loo, See Yuen. As such, each of Bradbury Strategic Investment Fund A, Bradbury Fund Management Limited and Mr. Loo, See Yuen is deemed to be interested in the Shares held by Bradbury under the SFO.

Save as disclosed above and in the section headed “Statutory and general information – C. Further Information about our Directors and Substantial Shareholders – 1. Disclosure of Interests” in Appendix V to this prospectus, our Directors are not aware of any person who will, immediately to and following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes), have interests or short positions in any Shares or underlying Shares of our Company, which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the issued voting Shares of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes):

Authorized share capital

| <u>Number of Shares</u> | <u>Description of Shares</u> | <u>Total Nominal Value</u> |
|-------------------------|-------------------------------------|----------------------------|
| | | (US\$) |
| <u>5,000,000,000</u> | ordinary Shares of US\$0.00001 each | <u>50,000</u> |

The following is a description of the issued share capital of the Company in issue and to be issued as fully paid or credited as fully paid prior to and following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes):

Issued share capital

| <u>Number of Shares</u> | <u>Description of Shares</u> | <u>Total Nominal Value</u> |
|-------------------------|---|----------------------------|
| | | (US\$) |
| 542,914,624 | ordinary Shares of US\$0.00001 each in issue as of the Latest Practicable Date | 5,429.15 |
| 178,445,376 | ordinary Shares of US\$0.00001 each to be issued pursuant to the Capitalization Issue | 1,784.45 |
| 78,640,000 | ordinary Shares of US\$0.00001 each to be issued pursuant to the Global Offering | 786.40 |
| <u>800,000,000</u> | Total | <u>8,000.00</u> |

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares which may be issued pursuant to the Over-allotment Option, the Share Option Schemes, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all ordinary shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the ordinary shares in respect of a record date which falls after the date of this prospectus (other than the Capitalization Issue).

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on June 19, 2023, subject to and conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 178,445,376 Shares credited as fully paid at par to the holders of Shares whose names are entered on the principal register of members of the Company maintained in the Cayman Islands prior to the Capitalization Issue (or as they may direct) in proportion to their respective shareholdings by way of capitalization of the sum of approximately US\$1,784.45 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its Shares into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its capital or capital redemption reserve by special resolution of shareholders. For details, please refer to the section headed “Summary of the constitution of our Company and the Cayman Companies Act – 2. Articles of Association – 2.1 Shares – (c) Alteration of capital” in Appendix IV to this prospectus.

SHARE CAPITAL

Pursuant to the Cayman Companies Act and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to the section headed “Summary of the constitution of our Company and the Cayman Companies Act – 2. Articles of Association – 2.1 Shares – (b) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

Further, our Company will also hold general meetings from time to time as may be required under the Articles of Association, a summary of which is set out in the section headed “Summary of the Constitution of our Company and the Cayman Companies Act” in Appendix IV to this Prospectus.

GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the conditions in the section headed “Structure of the global Offering – The Hong Kong Public Offering” in this prospectus, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandate, please refer to the section headed “Statutory and general Information – A. Further information about our Group – 3. Resolutions of our Shareholders” in Appendix V to this prospectus.

SHARE OPTION SCHEMES

We have adopted the Pre-IPO Stock Incentive Plan and conditionally adopted the Post-IPO Share Option Scheme, pursuant to which we have granted the Pre-IPO Share Options and may grant Options under the Post-IPO Share Option Scheme to eligible directors, officers and employees of our Group. The principle terms of the Share Option Schemes are summarized in the section headed “Statutory and general Information – D. Share Option Schemes” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this Prospectus which have been prepared in accordance with HKFRS. You should read the whole of the Accountant's Report included in Appendix I to the prospectus and not only rely merely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties and that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experiences and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to, those set forth under "Risk factors" in this prospectus. In evaluating our business, you should carefully consider all of the information provided in this prospectus, including the sections headed "Risk factors" and "Business" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

Our business operations consist of two segments, namely (i) new retail segment, which we primarily develop and sell health management products and skincare products, and (ii) IP creation and operation segment, which we create unique celebrity IPs by providing planning and other project management services to media contents, acting as event planning service provider and/or investor in large-scale concerts featuring celebrities and other events, together with designing and licensing of proprietary celebrity IPs. Each segment can be a source of revenue of its own, while our IP creation and operation segment can also create a synergy effect by acting as one of our marketing tools to promote our new retail products and empowered us to become a new retail operator in China with a focus on the sales of health management and skincare products through various channels, including primarily social e-commerce channel such as WeChat. For instance, our *J-Style Trip* season one had empowered the sale of our *MODONG* coffee and we promoted healthy eating and lifestyle through Livestreaming sessions of Mr. Liu Keng-hung and/or Ms. Vivi Wang.

Our business operation comprises several aspects including product development, IP creation and operation, marketing and promotion. During the Track Record Period, our main products included health management and skincare products. During the Track Record Period,

FINANCIAL INFORMATION

we achieved rapid growth in our new retail operations, a majority of which was attributable to the sales of *MODONG* coffee, which we started to distribute nationwide in April 2019. We also provide IP creation and operation services such as IP creations, media content creation, and event planning, through which we created bespoke brands and associated IP contents which in turn empower our new retail business. Our product branding, distribution network and consumer procurement are empowered by our proprietary celebrity IPs and IP-oriented reality shows and events, including a portfolio of various forms of proprietary IPs, such as *ChouMate* and *J-Style Trip* season one which were centered around Mr. Jay Chou. Furthermore, as part of our IP creation and operation services, we produce various TV and online programs which also assisted in the promotion of our new retail operations. For example, we placed discrete product placements in *J-Style Trip* season one, together with the television advertisements accompanying the commercial breaks of *J-Style Trip* season one when being aired in Zhejiang Satellite TV from March to June 2020. Since 2021, we have diversified our portfolio of celebrities and expand our IP portfolio by creating IPs that are related to other celebrities. For example, we were involved in the planning and creation of a popular music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) that was centered around Mr. Harlem Yu and a variety show that was centered around Mr. Liu Keng-hung. We also expanded into the provision of celebrity IP management services since we commenced cooperation with Mr. Liu Keng-hung in late 2021 and successfully boosted our revenue from IP creation and operation business and empowered the sale of our new products, such as Matcha powder, in 2022.

We considered that our business growth during the Track Record Period was mainly attributable to our ability in (a) product development; (b) IP creation and operation; (c) diversified marketing and promotion strategies and activities; (d) building and maintenance of distribution networks; and (e) our management's experience and capability in using the strengths of our Group's different business components in an effective and efficient manner to create synergy effect.

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue was RMB86.6 million, RMB456.9 million, RMB365.3 million and RMB344.2 million, respectively, representing a CAGR of approximately 58.4%.

We recorded net profit of RMB22.7 million, RMB75.6 million, RMB42.9 million and RMB64.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing a CAGR of approximately 41.9%.

BASIS OF PREPARATION

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) are set out below. The Historical Financial Information has been prepared on a historical cost basis unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the

FINANCIAL INFORMATION

process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 to the Accountant's Report in Appendix I to this prospectus.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by us consistently throughout the Track Record Period, including HKFRS 9 Financial Instruments (“**HKFRS 9**”), HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) and HKFRS 16 Leases (“**HKFRS 16**”).

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed “Risk factors” in this prospectus and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management's assessment of our prospects. The key factors affecting our results of operations include, among other factors, the following:

Development and popularity of e-commerce in China and in our target markets

Driven by the growth of the internet, broadband, personal computer, mobile penetration and the development of fulfillment, payment and other ancillary services associated with online purchases, e-commerce is rapidly rising in significance in China. China's social e-commerce industry has experienced substantial growth over the past few years in terms of GMV, growing from RMB691.2 billion in 2017 to RMB4,816.2 billion in 2022, with a CAGR of 47.4%. It is expected to keep growing at a CAGR of 13.4%, reaching RMB9,039.5 billion by 2027. On the other hand, the total online retail sales value in China, reached approximately RMB13.8 trillion in 2022 from RMB7.2 trillion in 2017 and is expected to further grow at a CAGR of 10.0% to RMB22.2 trillion by 2027. The growing number of online shoppers has made online marketplaces and other e-commerce channels popular retail platforms for brands. The growth of our business depends on the development and popularity of e-commerce and the continued expansion in the size of e-commerce.

Levels of per capita disposable income and consumer spending in China and in our target markets

Consumer spending power has been rising in China and in our other target markets in Asia. The growth of the e-commerce market in these markets depends on the continued increase in consumption. From 2017 to 2022, the per capita disposable income in China increased from RMB25,974 to RMB36,883, at a CAGR of 7.3%. The improved consumption level has led to a boost in consumers' demand for unique and differentiated commodities. IP-related commodities can convey a special emotion links between consumers and IPs through such commodities, which are able to satisfy consumers' taste for unique and differentiated commodities and are expected to be welcomed by Chinese consumers. As a number of IPs are derived from

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pan-entertainment content, the prosperity of China's pan-entertainment is expected to facilitate the growth of China's IP creation and operation industry. From 2017 to 2022, the per capita spending on education, culture and entertainment in China has increased steadily from RMB2,086 to RMB2,469, at a CAGR of 3.4%. The growing demand for entertainment consumption in China is expected to further facilitate the growth of pan-entertainment industry in China, and therefore drives the development of IP creation and operation industry.

Supportive measures implemented by the PRC government in relation to the sustainable development of social e-commerce

Social e-commerce business has been growing rapidly and became increasingly prosperous during recent years in China and PRC government has been more proactive in encouraging innovation to develop new business models, such as social e-commerce. Furthermore, in order to distinguish social e-commerce from pyramid selling, the Standing Committee of Kunshan Municipal People's Congress had introduced supportive measures to establish pilot zone in Kunshan as the first city for the sustainable development of social e-commerce, which our Directors believe is one of the major future new business models. It is expected that the government support will provide a strong growth basis and will drive the future development of social e-commerce industry in China.

Our ability to launch new product and celebrity IPs

Our ability to successfully develop and launch new products and introduce popular celebrity IPs when appropriate is critical to our success, and in particular to our ability to attract, engage and retain customers, which is key to our continued net revenue growth. During the Track Record Period, a substantial portion of our revenue was generated from the sale of *MODONG* coffee since its nationwide launch in April 2019. Leveraging our success in the launch of *MODONG* coffee, we have been expanding our product offerings and introduced other health management products, such as *MODONG* probiotics lyophilized powder, *MODONG* herb beverage, Matcha powder and *MODONG* light brewed coffee.

We have also introduced various celebrity and other IPs which were used for empowerment of the sale of our products. We designed and developed the *ChouMate* nijigen which is instantly recognizable as artistical personifications of Mr. Jay Chou and market a variety of products, including *MODONG* coffee, in association with the *ChouMate* nijigen, which are well received by the consumers. We have also launched nijigen related to Mr. Liu Keng-hung (i.e. *Coach Liu* (劉教練)), and Ms. Vivi Wang, which are used in the promotion of our products. In addition, we also designed a portfolio of other bespoke IPs, such as *Chaxiaojie* (茶小姐) and *Dr.mg* (摩肌博士), for our various product lines, which provide us with creative and operational control in the manner and content of production promotion.

Having a broad, attractive and updated product mix, together with our popular IPs, helps to maintain the popularity of our brands, increases consumer loyalty and encourages customer purchases. We expect to continue to develop and launch new products and create celebrity and other IPs to respond to the latest industry trends and customer feedbacks.

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Our ability to manage and continue to expand our distribution network

We generate a substantial portion of our revenues from product sales through our distribution network. We established a distribution network of our distributors who further established and expanded the distribution by sale of the sub-distributors procured by them, thereby expanding the consumer reach of our products. Some of our distributors and sub-distributors further developed into KOCs of our products and actively promote our products among their PDT through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers.

We expanded our distribution network significantly for the sales of our products under the new retail business during the Track Record Period. As of December 31, 2022, we had approximately 742 distributors and 16,044 sub-distributors in China. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from distributors through the Distribution Agent Assisted Distribution Model and general distribution model amounted to RMB80.8 million, RMB362.4 million, RMB291.7 million and RMB199.4 million, respectively. Our future growth will depend on our ability to manage and continue to expand our distribution network.

Effectiveness of our marketing strategies

Our results of operations also depend on our ability to attract and retain consumers at reasonable marketing expenses. We created bespoke brands and marketing our products through the empowerment by our unique celebrity IPs and associated contents. For example, we place advertisement and product placement in TV program to promote our products. We select distributors with PDT influence potential and turn them into KOC with the purpose to promote our products and brand awareness. Our close cooperation with such KOCs provides us with valuable insights into the impact which these KOCs have on our targeted consumers, and helps us to improve marketing efficiency and effectiveness.

Our marketing expenses and efficiency are also expected to be further improved with our continued rollout of company channels on WeChat, other major e-commerce and social media platforms. Thus, we foster long-term loyalty beyond the point of purchase, promote repeat purchases and increase customer lifetime value in a cost-efficient manner. Moreover, our engagement in different channels and platforms helps to effectively market our brands and products by promoting stronger customer engagement and stickiness through cross-channel integration.

Relationship with Hengmei Group

During the Track Record Period, we generated a substantial portion of our revenue from the sales of *MODONG* coffee. We officially launched *MODONG* coffee nationwide in April 2019. For the years ended December 31, 2019, 2020, 2021 and 2022, the sales of *MODONG* coffee accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue, respectively.

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The formula of *MODONG* coffee was co-developed by us and Hengmei Group, which is currently our sole supplier for the product. Hengmei Group is in possession of the technology know-hows for the purpose of manufacturing the product. We also rely on Hengmei Group to procure the raw materials and ingredients of *MODONG* coffee. Maintaining our relationship with Hengmei Group is important to maintain a timely and adequate supply of *MODONG* coffee. Any material adverse change in our relationship with Hengmei Group or other factors affecting the supply of *MODONG* coffee could negatively impact our results of operations and financial condition. Please refer to the section headed “Risk factors – Risk relating to our business and industry – Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee” in this prospectus.

The following tables demonstrate the impact of the hypothetical fluctuation in cost of goods sold under our cost of revenue on our profit before income tax for the years indicated below, assuming that all other factors remain unchanged:

Impact of a change in cost of goods sold under our cost of revenue

| | For the year ended December 31, | | | |
|--------|-------------------------------------|-----------------|-----------------|-----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | Changes in profit before income tax | | | |
| | (in RMB thousands) | | | |
| | (unaudited) | | | |
| +/-20% | (4,848)/4,848 | (20,445)/20,445 | (17,301)/17,301 | (15,318)/15,318 |
| +/-15% | (3,636)/3,636 | (15,333)/15,333 | (12,976)/12,976 | (11,489)/11,489 |
| +/-10% | (2,424)/2,424 | (10,222)/10,222 | (8,650)/8,650 | (7,659)/7,659 |

Our ability to control our employee benefit expense

Employee benefit expense was one of the largest component of our selling and marketing expenses and general and administrative expenses. During the years ended December 31, 2019, 2020, 2021 and 2022, our total employee benefit expense amounted to RMB9.1 million, RMB23.9 million, RMB42.7 million and RMB51.5 million, respectively. The increase in employee benefit expenses during the Track Record Period was mainly resulted from (i) the increase in the number of our employees along our business growth; (ii) we recorded an increasing trend for the average base salary of our employees during the Track Record Period; and (iii) the payment of share-based compensation expenses accrued in 2020, 2021 and 2022 of RMB1.8 million, RMB3.6 million and RMB2.2 million, respectively, in recognition of our employees’ contribution to our business growth.

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Set forth below are details of the number of our employees as at each relevant year end during the Track Record Period, their average salary and salary range (based on the basic salary as provided in their employment contracts):

| | As of December 31, | | | | | | | | | | | | | | |
|----------------------|--------------------|----------------------|---------------------|------------------|----------------------|---------------------|------------------|----------------------|---------------------|------------------|----------------------|----------------------|------------------|----------------------|----------------------|
| | 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | |
| | No. of employees | Average salary (RMB) | Salary range (RMB) | No. of employees | Average salary (RMB) | Salary range (RMB) | No. of employees | Average salary (RMB) | Salary range (RMB) | No. of employees | Average salary (RMB) | Salary range (RMB) | No. of employees | Average salary (RMB) | Salary range (RMB) |
| Senior management | 3 | 25,667 | 12,000–35,000 | 6 | 22,650 | 18,667–41,667 | 7 | 62,459 | 25,333–83,333 | 7 | 67,675 | 40,000–86,957 | 7 | 67,675 | 40,000–86,957 |
| Mid-level management | 7 | 16,093 | 7,750–25,000 | 14 | 24,292 | 9,687–50,000 | 17 | 27,963 | 12,000–50,000 | 22 | 41,637 | 14,400–200,000 | 22 | 41,637 | 14,400–200,000 |
| Other employees | 58 | 8,127 | 2,575–25,000 | 130 | 8,680 | 1,913–20,000 | 166 | 10,023 | 2,522–30,000 | 221 | 10,481 | 1,200–30,400 | 221 | 10,481 | 1,200–30,400 |
| Total/Overall | <u>68</u> | <u>9,721</u> | <u>2,575–35,000</u> | <u>150</u> | <u>10,696</u> | <u>1,913–50,000</u> | <u>190</u> | <u>13,560</u> | <u>2,522–83,333</u> | <u>250</u> | <u>14,859</u> | <u>1,200–200,000</u> | <u>250</u> | <u>14,859</u> | <u>1,200–200,000</u> |

On April 1, 2022, we entered into an employment contract with Ms. Vivi Wang pursuant to which she was employed as our Sale and marketing director at a monthly salary of RMB200,000. For details of our cooperation with Ms. Vivi Wang, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang” in this prospectus.

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The following tables demonstrate the impact of the hypothetical fluctuation in our employee benefit expenses on our profit before income tax for the years indicated below, assuming that all other factors remain unchanged:

Impact of change in employee benefit expense

| | For the year ended December 31, | | | |
|--------|--|---------------|---------------|-----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | Changes in profit before income tax | | | |
| | <i>(in RMB thousands)</i> | | | |
| | (unaudited) | | | |
| +/-20% | (1,815)/1,815 | (4,771)/4,771 | (8,546)/8,546 | (10,300)/10,300 |
| +/-15% | (1,361)/1,361 | (3,578)/3,578 | (6,410)/6,410 | (7,725)/7,725 |
| +/-10% | (907)/907 | (2,386)/2,386 | (4,273)/4,273 | (5,150)/5,150 |

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and the actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 4 to the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Revenue is recognized when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognized over time or at a point in time. Generally, there is no delay due to time required for inspection and acceptance by the customers.

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Revenue from new retail business

Sales of health management and skincare products

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the products.

We recognize revenue in an amount equal to the contract sales prices less value-added tax, estimated sales allowances for sales returns and discount (i.e. volume discounts and incentives to distributors, and sales volume based fees to the Selected Distributors). Estimated sales allowances for sales returns and discount (i.e. volume discounts and incentives to distributors, and sales volume based fees to the Selected Distributors) are made based on contract terms and historical patterns.

We are regarded as the principal since in combination, that (a) we are the primary obligator to provide the specified good or service to distributors; (b) we keep all the inventory risk and are responsible for delivery of products; (c) we have discretion in establishing the pricing policy for the health management and skincare products and pre-determine the discounts, incentives and fees required to promote the sales. Thus, revenue from sales of goods is recognized on a gross basis.

Revenue from IP creation and operation

Revenue from production of TV program

Where we undertook the role of investor for the production of TV programs, we either (i) license the copyright and ancillary rights to such TV program to the customers for fixed fees in a period of time in designated geographic region. Revenue is recognized at the point in time upon delivery and acceptance of the product by the customer as control of the TV program is transferred so that the customer can direct the use and obtain the associated benefits; or (ii) sell the copyright and ancillary rights to such TV program to the customers in exchange for cash consideration calculated based on an agreed mechanism, e.g. advertisement income for each episodes in designated geographic region. This constitutes a variable consideration and such revenue is only recognized to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Revenue from production and licensing of entertainment videos

Our Group produces and licenses entertainment videos for customers' specific events with fixed considerations. Revenue is recognized when the videos are available to the customers, generally on delivery of the videos when the customers are provided with rights to use the videos.

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Revenue from event planning and management

Revenue from event planning and management where we undertook the role of concert or Internet live broadcasting management, is recognized over the show or event period of a project as customers have simultaneously received and consumed the benefits provided by our services. Revenue is recognized using a straight-line basis over the term of the contract.

Licensing and royalty income

We license proprietary celebrity intellectual properties and created media content to third parties. Any agreed upfront licensing fee is recognized on a straight-line basis over the period of the license agreement. Royalty income from the licensing arrangements is recognized in accordance with the terms of agreements.

Since we have the ability to determine the pricing of the TV programs and entertainment videos licensing and the concerts or Internet live broadcasting, and negotiate the service terms, and bear the relevant costs including the self-production costs of TV programs, entertainment videos and concerts, and take responsibility for managing the licensed libraries, we are regarded as the principal and recognize revenue from the above revenue streams on a gross basis and recognize production costs and other applicable fulfillment costs as cost of revenue.

Celebrity IP management income

Revenue from celebrity IP management arises from the service fee earned us by managing IP of certain celebrities and is recognized on a straight-line basis over the show or broadcasting period. Considering that the celebrities whose IP currently is managed by us has the discretion to determine the basis of performances measurement and the service prices in the contract with advertisers and bear majority of the service costs, the Group is regarded as an agent in such an arrangement and, therefore, recognizes revenue from celebrity IP management on a net basis.

Equity-settled share-based payment

The fair value of share options granted to employees is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, (i) including any market performance conditions (such as the entity's share price); (ii) excluding the impact of any service and non-market performance vesting conditions (profitability, sales growth targets and remaining an employee of the entity over a specified time period); and (iii) including the impact of any non-vesting conditions (for instance, the requirement for employees to save or hold shares for a specific period of time).

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The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Information relating to the scheme is set out in Note 2 to the Accountant's Report included in Appendix I to this prospectus.

Intangible assets

Acquired software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line method over their estimated useful lives of 10 years. Based on the current functionalities equipped by the acquired computer software and our Group's daily operation needs, our Group considers useful lives of 10 years are the best estimation under the current financial reporting needs.

TV program rights

TV program rights are stated at the lower of cost and net realizable value. Cost of TV program rights under production includes all direct costs associated with the production of TV program rights. TV program rights under production are transferred to "TV program rights completed" upon completion of production. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expense.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of financial assets at amortized cost

Our management determines the provision for impairment of trade and other receivables based on an assessment of the expected credit losses of these receivables. The assessment is based on the historical loss experience, adjusted to reflect the effects of current market conditions and forward-looking information, which requires the use of judgments and estimates. Management reassesses the provision at each reporting date.

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Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the applicable variable and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each statement of financial position date.

Net realizable value of TV program rights

Our management determines the impairment for the TV program rights with reference to the estimated future economic benefits derived from the use of these assets. These estimates are based on the current market condition and the historical experience of the economic benefits derived from the assets of similar nature. We take into consideration both internal and external market information, for example, the sales forecasts, sales and distribution costs budget and the general economic condition of the relevant markets. Management reassesses these estimations by each of the balance sheet date.

Current and deferred income taxes

We are subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Financial instrument with redemption rights

We issued ordinary Shares with redemption rights to a Pre-IPO Investor. The potential cash payments relating to the redeemable rights are accounted for as a financial liability. The liability is initially recognized at present value of the redemption amount, which is determined by the management in accordance with the terms under the investment agreement. Significant judgments and estimates are involved in making assumptions, including discount rates, in determining the present value of the redemption amount.

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SUMMARY OF FINANCIAL RESULTS

The following table sets forth our consolidated statement of comprehensive income for the years indicated:

| | Year ended December 31, | | | |
|---|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Revenue | 86,585 | 456,944 | 365,345 | 344,157 |
| Cost of revenue | (29,972) | (224,155) | (137,963) | (121,329) |
| Gross profit | 56,613 | 232,789 | 227,382 | 222,828 |
| Selling and marketing expenses | (14,393) | (94,914) | (93,809) | (72,447) |
| General and administrative expenses | (10,330) | (31,563) | (65,091) | (64,094) |
| Reversal of/(provision for) impairment losses on financial assets | 73 | (4,452) | 922 | (745) |
| Other income | 151 | 1,692 | 234 | 21,844 |
| Other expenses | – | – | – | (5,798) |
| Other gains/(losses), net | (114) | 10,254 | 3,956 | (9,553) |
| Operating profit | 32,000 | 113,806 | 73,594 | 92,035 |
| Finance income/(costs), net | (160) | 35 | (8,942) | 1,103 |
| Profit before income tax | 31,840 | 113,841 | 64,652 | 93,138 |
| Income tax expense | (9,121) | (38,210) | (21,761) | (28,240) |
| Profit for the year | 22,719 | 75,631 | 42,891 | 64,898 |
| Profit attributable to: | | | | |
| – Owners of the Company | 23,559 | 78,064 | 43,649 | 60,389 |
| – Non-controlling interests | (840) | (2,433) | (758) | 4,509 |
| | 22,719 | 75,631 | 42,891 | 64,898 |

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NON-HKFRS MEASURES

In order to supplement our consolidated statement of comprehensive income, which is presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS to evaluate our operating performance. We believe that these non-HKFRS measures help identify underlying trends in our business and provide useful information to investors and others in understanding and evaluating our results of operation. However, the use of adjusted net profit (non-HKFRS measure) has material limitations as an analytical tool. When assessing our operating and financial performance, you should not consider adjusted net profit (non-HKFRS measure) in isolation from or as a substitute for any financial performance measure that is calculated in accordance with HKFRS. The term “adjusted net profit (non-HKFRS measure)” is not defined under HKFRS, and such term may not be comparable to other similarly named measures used by other companies.

We define adjusted net profit (non-HKFRS measure) as net profit for the year adjusted by adding back (i) listing expenses; (ii) share-based compensation expenses; and (iii) interest expense on financial instrument with redemption rights.

The following table sets forth our adjusted net profit (non-HKFRS measure) in each respective year during the Track Record Period:

| | Year ended December 31, | | | |
|--|---------------------------|--------|--------|--------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Profit for the year | 22,719 | 75,631 | 42,891 | 64,898 |
| Add: | | | | |
| <i>Listing expenses⁽¹⁾</i> | – | 2,893 | 15,535 | 10,059 |
| <i>Share-based compensation expenses⁽²⁾</i> | – | 1,840 | 3,568 | 2,216 |
| <i>Interest expense on financial instrument with redemption rights⁽³⁾</i> | – | – | 7,939 | – |
| Adjusted net profit for the year (non-HKFRS measure) | 22,719 | 80,364 | 69,933 | 77,173 |

Notes:

- (1) Our Listing expenses are arising from activities relating to the Listing.
- (2) The share-based compensation expenses are non-cash in nature and were arising from the grant of share options to Ms. Ma and certain employees of our Group.
- (3) Our interest expense on financial instrument with redemption rights was arising from and relating to our Pre-IPO Investments, which is non-cash in nature.

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We recorded an overall increasing trend in our revenue and adjusted net profit (non-HKFRS measure) during the Track Record Period while achieving exceptionally high revenue in 2020. We recorded adjusted net profit (non-HKFRS measure) of RMB69.9 million in 2021, that was higher than that in 2019, but lower than the same in 2020, primarily due to the fact that our sales of *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020, which empowered the sales of *MODONG* coffee, in particular in the second quarter of 2020. However, after the cessation of material promotional effect of *J-Style Trip* season one since July 2020, the sales of *MODONG* coffee (i) remained at a sustainable level since second half year of 2020 and throughout 2021 in general, and (ii) was significantly higher than that in 2019. Our sales was slightly adversely affected in second half of 2021 as we, our distributors and sub-distributors allocated our resources for the preparation of Listing in the third quarter of 2021.

With respect to our IP creation and operation segment, despite the fact that there was a decrease in revenue from 2020 to 2021 as we did not introduce or being involved in any event planning and IP programs at a scale that were comparable to *J-Style Trip* season one in 2021, we have a significant improvement in the gross profit from IP creation and operation business and recorded a gross profit of RMB21.9 million in 2021, as compared to a gross loss of RMB21.7 million in 2020. We recorded a gross loss in our IP creation and operation business in 2020 mainly because of the cancellation of a number of advertisements due to COVID-19 pandemic at the time when *J-Style Trip* season one was aired.

In 2021, we were unable to launch any events and programs that had a scale as comparable to *J-Style Trip* season one as a result of the adverse impact caused by the outbreak of COVID-19 pandemic, including the implementation of various quarantine measures and traveling restrictions. Our Directors believe this was one of the reasons leading to the fluctuation of the revenue and our adjusted net profit (non-HKFRS measure) discussed above.

Our revenue decreased from RMB365.3 million for 2021 to RMB344.2 million for 2022 mainly due to the decrease in our revenue from the new retail business as a result of the large-scale regional static management control measures imposed by the local government in view of the Resurgence of the COVID-19 pandemic, in particular, our offline marketing activities and the delivery of our products had been severely affected by the travel restrictions imposed. Please refer to the section headed “Business – Impact of the outbreak of COVID-19 on our business” in this prospectus for further details. Such decrease was partially offset by the increase in our revenue from the IP creation and operation segment. Despite decrease in revenue derived from new retail segment, we recorded an increase in revenue derived from IP creation and operation segment mainly attributable to our expansion of our IP offerings in the IP creation and operation segment during 2022. Our adjusted net profit (non-HKFRS measure) has increased from RMB69.9 million for the year ended December 31, 2021 to RMB77.2 million for the year ended December 31, 2022, which was primarily attributable to (i) the increase in our other income from government grant and (ii) decrease in our selling and marketing expenses as a result of the restrictions imposed by local government for the prevention of the pandemic.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from (i) product sales in our new retail business; and (ii) IP creation and operation business. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue was RMB86.6 million, RMB456.9 million, RMB365.3 million and RMB344.2 million, respectively. During the Track Record Period, a substantial portion of our revenue was generated from our new retail business. For the years ended December 31, 2019, 2020, 2021 and 2022, our new retail business contributed revenue of RMB80.8 million, RMB365.2 million, RMB301.4 million and RMB240.1 million, respectively, representing 93.3%, 79.9%, 82.5% and 69.8% of our total revenue during the corresponding periods. On the other hand, our IP creation and operation business generated revenue of RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing 6.7%, 20.1%, 17.5% and 30.2% of our total revenue for the corresponding periods.

The table below sets forth our revenue breakdowns by segment for the years indicated:

| | Year ended December 31, | | | | | | | |
|--|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| New retail | | | | | | | | |
| Health management products | 71,927 | 83.0 | 340,787 | 74.5 | 275,261 | 75.4 | 216,036 | 62.8 |
| Skincare products | 3,450 | 4.0 | 20,422 | 4.5 | 21,274 | 5.8 | 16,272 | 4.7 |
| Others | 5,420 | 6.3 | 3,966 | 0.9 | 4,860 | 1.3 | 7,791 | 2.3 |
| Subtotal | 80,797 | 93.3 | 365,175 | 79.9 | 301,395 | 82.5 | 240,099 | 69.8 |
| IP creation and operation | | | | | | | | |
| IP content creation and management | 4,761 | 5.5 | 86,567 | 19.0 | 54,399 | 14.9 | 95,026 | 27.6 |
| IP licensing and sales of related products | 1,027 | 1.2 | 5,202 | 1.1 | 9,551 | 2.6 | 9,032 | 2.6 |
| Subtotal | 5,788 | 6.7 | 91,769 | 20.1 | 63,950 | 17.5 | 104,058 | 30.2 |
| Total | 86,585 | 100.0 | 456,944 | 100.0 | 365,345 | 100.0 | 344,157 | 100.0 |

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Revenue from new retail business

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from new retail business was RMB80.8 million, RMB365.2 million, RMB301.4 million and RMB240.1 million, representing 93.3%, 79.9%, 82.5% and 69.8% of our total revenue for the same periods, respectively. Since 2019, our new retail business was boosted following the launch of our *MODONG* coffee and other health management products. For the year ended December 31, 2019, 2020, 2021 and 2022, our sale of (i) health management products contributed to revenue of RMB71.9 million, RMB340.8 million, RMB275.3 million and RMB216.0 million, respectively; and (ii) skincare products contributed to revenue of RMB3.5 million, RMB20.4 million, RMB21.3 million and RMB16.3 million, respectively.

Revenue generated from our health management products

Set forth below is the breakdown of revenue from the sale of our health management products by product type for the years indicated:

| | Year ended December 31, | | | | | | | |
|---|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | RMB'000 | % RMB'000 | RMB'000 | % RMB'000 | RMB'000 | % RMB'000 | RMB'000 | % |
| <i>MODONG</i> coffee ^(Note) | 71,927 | 100.0 | 332,868 | 97.7 | 227,772 | 82.7 | 150,883 | 69.8 |
| <i>Molitone</i> prebiotic gummy | - | - | 7,919 | 2.3 | 2,475 | 0.9 | 67 | 0.0 |
| <i>MODONG</i> probiotics lyophilized powder | - | - | - | - | 13,076 | 4.8 | 11,585 | 5.4 |
| <i>MODONG</i> herb beverage | - | - | - | - | 14,185 | 5.2 | 5,829 | 2.7 |
| Matcha powder | - | - | - | - | - | - | 24,049 | 11.1 |
| <i>MODONG</i> light brewed coffee | - | - | - | - | - | - | 8,628 | 4.0 |
| Others | - | - | - | - | 17,753 | 6.4 | 14,995 | 7.0 |
| Total | 71,927 | 100.0 | 340,787 | 100.0 | 275,261 | 100.0 | 216,036 | 100.0 |

Note: The sale of our *MODONG* coffee also included revenue allocated to certain ancillary products which were sold to our consumers as a bundle with *MODONG* coffee such as effervescent tablets, coffee cups and body fat scale.

Since its launch in April 2019, *MODONG* coffee has been one of the key products under our health management products. During the years ended December 31, 2019, 2020, 2021 and 2022, our sale revenue from *MODONG* coffee amounted to RMB71.9 million, RMB332.9 million, RMB227.8 million and RMB150.9 million, respectively, representing 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in the corresponding periods. Since 2020, we have been developing various health management products as supplements to the low-carb diet, including the *Molitone* prebiotic gummy, *MODONG* probiotics lyophilized powder and *MODONG* herb beverage, all of which were primarily sold through Kunshan Tingshe. Since 2021, we have also launched other new health management products such as *Dr. INYOU* series, Matcha powder,

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MODONG light brewed coffee and *MODONG* MCT coffee. We have generated revenue of RMB45.0 million and RMB65.1 million for the year ended December 31, 2021 and 2022, respectively from health management products that were newly launched since 2021. For details of our health management products, please refer to the section headed “Business – Our business – New retail business – Health management products” in this prospectus. With our effort in expanding our product offerings, sale revenue attributable to *MODONG* coffee had been gradually reduced from 83.0% of our total revenue for the year ended December 31, 2019 to 43.8% of our total revenue for the year ended December 31, 2022.

Revenue, sales volume, and average selling prices of MODONG coffee

The table below sets forth the revenue, sales volume, and average selling price of *MODONG* coffee for the years indicated:

| | Year ended December 31, | | | |
|----------------------------------|-------------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| Sales revenue (<i>RMB'000</i>) | 71,927 | 332,868 | 227,772 | 150,883 |
| Sales volume (<i>boxes</i>) | | | | |
| <i>(in thousand)</i> | 632 | 3,315 | 2,133 | 1,381 |
| Average selling price | | | | |
| <i>(RMB per box)</i> | 114 | 100 | 107 | 109 |

(i) Revenue and sales volume of *MODONG* coffee

We officially launched *MODONG* coffee nationwide in April 2019. Sales volume of *MODONG* coffee was 632,000 boxes, 3.3 million boxes, 2.1 million boxes and 1.4 million boxes for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Sales revenue of *MODONG* coffee was RMB71.9 million, RMB332.9 million, RMB227.8 million and RMB150.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in the same periods.

In 2020, we recorded increasing sales revenue and volume of our *MODONG* coffee, primarily due to the celebrity IP branding effect empowered by our proprietary celebrity IP imprinted in *J-Style Trip* season one, where *MODONG* coffee was mentioned to be the brand sponsoring the show and the product itself appeared in the program frequently through product placement, and thus enabling us to (i) enhance the value and enrich the content of our products; (ii) attract and enlarge the fan base of our proprietary celebrity IPs to our products; and (iii) create emotion linkage and resonance between our proprietary celebrities IPs and its fan base.

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Our Directors also consider promoting our products in association with our proprietary celebrity IPs would have positive influence and effectiveness on our sales and increase product recognition. Furthermore, the use of proprietary celebrity IPs allow our distributors to increase their interaction with potential consumers as they can share their product feedback and opinion in their social media account.

Our Directors are of the view that the use of proprietary celebrity IP branding in advertising make the advertisement more noticeable to consumers, as they stand out from the media clutter.

Together with our celebrity IP empowerment strategy, we have also placed discrete product placements in *J-Style Trip* season one, together with the television advertisements accompanying the commercial breaks of *J-Style Trip* season one when being aired in Zhejiang Satellite TV from March to June 2020.

As a result of these efforts, we recorded an increase of sales volume of *MODONG* coffee from 632,000 boxes for the year ended December 31, 2019 to 3.3 million boxes for the year ended December 31, 2020 and hence resulted in an increase of sales revenue of *MODONG* coffee from RMB71.9 million for the year ended December 31, 2019 to RMB332.9 million for the year ended December 31, 2020. Our Directors consider the primary reason for such increase in sales volume (as well as the sales revenue) are directly related to the empowerment by our proprietary celebrity IPs and IP-oriented reality shows and programs (such as *J-Style Trip* season one).

Relying on the solid customer foundation, strong distribution networks and the market presence established through the branding effect empowered by our celebrity IPs in 2020, our *MODONG* coffee recorded a sale volume of 2.1 million boxes and sale revenue of RMB227.8 million for the year ended December 31, 2021, despite the cessation of material promotional effect of *J-Style Trip* season one since July 2020 and the fact that we have substantially reduced the utilization of empowerment of Mr. Jay Chou-related IPs in the sale of our *MODONG* coffee in 2021. The sale performance of our *MODONG* coffee in 2021 showed that we are able to maintain our sale at a sustainable level after the cessation of material promotional effect of *J-Style Trip* season one since July 2020 and we reduced to use celebrity IP empowerment, in particular, in view of the fact that the sale of our *MODONG* coffee in 2021 was significantly higher than the previous level in 2019 before the empowerment by Mr. Jay Chou's celebrity IP took effect. The sale volume of our *MODONG* coffee decreased from 2.1 million boxes in the year ended December 31, 2021 to 1.4 million boxes in the year ended December 31, 2022 mainly due to the Resurgence of the COVID-19 pandemic and the related control measures imposed by the local government. Nevertheless, we expect that our sale would gradually recover following the relaxation of the restrictive measures in Yangtze River Delta area and nearby regions. For details, please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this prospectus.

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(ii) Average selling price of *MODONG* coffee

The average selling price of *MODONG* coffee is calculated based on our revenue recognized for the sale of our *MODONG* coffee (i.e. after netting off with (i) various volume-based discounts and incentives given to our distributors; and (ii) volume-based fees given to the Selected Distributors selected by Kunshan Tingshe as they are considered as payments to customers under HKFRS 15). For more details regarding the revenue recognition in respect of our sale of *MODONG* coffee, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing Arrangement and Discounts, Incentives and Fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus.

Our average selling price per box of *MODONG* coffee decreased from RMB114 per box for the year ended December 31, 2019 to RMB100 per box for the year ended December 31, 2020, primarily due to (i) the commencement of payment of sales volume based fees to the Selected Distributors starting from 2020 to assist Kunshan Tingshe to promote the sales of *MODONG* coffee and expanding the distribution network; and (ii) more volume discount given to our distributors for meeting certain purchase targets as pre-determined by us.

The average selling price per box of *MODONG* coffee increased from RMB100 per box for the year ended December 31, 2020 to RMB107 per box for the year ended December 31, 2021, primarily because the volume discounts and incentives offered to our distributors and the sales volume based fees to the Selected Distributors in 2021 were lower as compared with those of 2020 primarily resulted from the decrease in sale volume of our *MODONG* coffee in 2021.

The average selling price per box of *MODONG* coffee increased from RMB107 per box for the year ended December 31, 2021 to RMB109 per box for the year ended December 31, 2022, primarily attributable to the decrease in the sales volume based fees to the Selected Distributors due to a lower completion rate of the purchase targets pre-determined by us.

Sales revenue from skincare products

Sales revenue of our skincare products was RMB3.5 million, RMB20.4 million, RMB21.3 million and RMB16.3 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, which accounted for 4.0%, 4.5%, 5.8% and 4.7% of our total revenue in the same periods.

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Our sale revenue from skincare products increased from RMB3.5 million for the year ended December 31, 2019 to RMB20.4 million for the year ended December 31, 2020 mainly attributable to (i) the increase in the sale of *LA DEW* Facial Mask in 2020; and (ii) the sale of our products under the *Dr.mg* sub-brand during its soft launch in 2020. Our sale revenue from *LA DEW* skincare series further increased from RMB20.4 million for the year ended December 31, 2020 to RMB21.3 million for the year ended December 31, 2021, primarily attributable to sale generated from products under the *Dr.mg* sub-brand which was officially launched in 2021. Such increase in sales was partially offset by the decrease in sale of *LA DEW* Facial Mask which would be gradually discontinued and replaced by new products to be launched by us.

The sale revenue of our skincare products decreased to RMB16.3 million for the year ended December 31, 2022, which was mainly due to the decline in the revenue contribution through Shouwang Xingguang, our Distribution Agent of skincare products, as a result of the Resurgence where various restriction imposed on social activities and operation of logistics and delivery.

Distribution channels of our new retail business

During the Track Record Period, we primarily distribute our products under the new retail business through (i) Distribution Agent Assisted Distribution Model; (ii) general distribution model; and (iii) other e-commerce channels. For details of our distribution channels, please refer to the section headed “Business – Distribution network” in this prospectus.

Set forth below is the breakdown of revenue from the sale of our new retail business by distribution channels for the years indicated:

| | Year ended December 31, | | | | | | | |
|--|-------------------------|------------------|----------------|------------------|----------------|------------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | <i>% RMB'000</i> | <i>RMB'000</i> | <i>% RMB'000</i> | <i>RMB'000</i> | <i>% RMB'000</i> | <i>RMB'000</i> | <i>%</i> |
| Distribution Agent Assisted Distribution Model | | | | | | | | |
| – through Kunshan Tingshe | 71,894 | 89.0 | 340,773 | 93.3 | 254,347 | 84.4 | 167,663 | 69.8 |
| – through other Distribution Agents ^(Note a) | – | – | – | – | 12,647 | 4.2 | 2,142 | 0.9 |
| Subtotal | 71,894 | 89.0 | 340,773 | 93.3 | 266,994 | 88.6 | 169,805 | 70.7 |
| General distribution model ^(Note b) | 8,870 | 11.0 | 21,636 | 5.9 | 24,716 | 8.2 | 29,642 | 12.4 |
| Other e-commerce channels | 33 | 0.0 | 2,766 | 0.8 | 9,685 | 3.2 | 40,652 | 16.9 |
| Total | 80,797 | 100.0 | 365,175 | 100.0 | 301,395 | 100.0 | 240,099 | 100.0 |

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Notes:

- (a) During the years ended December 31, 2021 and 2022, we also generated revenue from sale of products under *Dr.mg* sub-brand under the Distribution Agent Assisted Distribution Model primarily through Shouwang Xingguang as our Distribution Agent.
- (b) During the Track Record Period, distributors managed by Kunshan Tingshe have purchased certain other products other than the Kunshan Tingshe Distributed Products. The relevant sale amounted to RMB2.8 million, RMB21.6 million, RMB10.3 million and RMB24.8 million in the year ended December 31, 2019, 2020, 2021 and 2022, respectively, and the revenue was classified under general distribution model.

(i) Distribution Agent Assisted Distribution Model

During the Track Record Period, we generated a substantial part of our revenue from the new retail business through the Distribution Agent Assisted Distribution Model. In particular, our revenue of RMB71.9 million, RMB340.8 million, RMB267.0 million and RMB169.8 million was generated from sales through the Distribution Agent Assisted Distribution Model for the year ended December 31, 2019, 2020, 2021 and 2022, respectively, representing 89.0%, 93.3%, 88.6% and 70.7% of our total revenue from our new retail business in the corresponding year.

Under the Distribution Agent Assisted Distribution Model, Distribution Agents are treated as our agents and our revenue from the relevant sales were based on the selling price of our products from the Distribution Agents to the downstream distributors, after deducting all relevant volume discounts, incentives and sales volume based fees payable by the Distribution Agents to the downstream distributors, which were considered as payments to our customers under HKFRS 15. Please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Background leading to our distribution arrangement with Kunshan Tingshe – Relationship from accounting perspectives”.

(ii) Sale revenue generated from Kunshan Tingshe

Kunshan Tingshe is our largest Distribution Agent. For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue from sale through Kunshan Tingshe under the Distribution Agent Assisted Distribution Model amounted to RMB71.9 million, RMB340.8 million, RMB254.3 million and RMB167.7 million, respectively, representing 83.0%, 74.6%, 69.6% and 48.7% of our total revenue for the corresponding year.

During the Track Record Period, we sold a substantial portion of our health management products, including our *MODONG* coffee, *Molitone* prebiotic gummy, *MODONG* herb beverage and *MODONG* probiotics lyophilized powder (i.e. the Kunshan Tingshe Distributed Products) through Kunshan Tingshe under the Distribution Agent Assisted Distribution Model. Our revenue recognized under the relevant sale was derived from the gross revenue of our products (based on Kunshan Tingshe’s unit selling price to our distributors), after deducting (i) volume discounts and incentives to distributors; and (ii) sales volume based fees to the Selected Distributors. For details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus.

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Set forth below is the breakdown of our gross revenue from the sale of Kunshan Tingshe Distributed Products and reconciliation between the gross revenue and our revenue recognized by us:

| | Year ended December 31, | | | |
|--|--------------------------------|-------------|-------------|-------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Gross revenue <i>(Note 1)</i> | | | | |
| MODONG coffee | 90,319 | 457,052 | 297,693 | 199,387 |
| Molitone prebiotic gummy | – | 10,874 | 2,757 | 57 |
| MODONG herb beverage | – | – | 15,549 | 15,375 |
| MODONG probiotics lyophilized powder | – | – | 15,442 | 7,738 |
| | 90,319 | 467,926 | 331,441 | 222,557 |
| Volume discounts and incentives to distributors <i>(Note 2)</i> | (18,425) | (111,893) | (72,425) | (52,673) |
| Sales volume based fees to the Selected Distributors <i>(Note 3)</i> | – | (15,260) | (4,669) | (2,221) |
| | – | (15,260) | (4,669) | (2,221) |
| Our revenue from the Kunshan Tingshe Distributed Products <i>(Note 4)</i> | 71,894 | 340,773 | 254,347 | 167,663 |

Notes:

- (1) The gross revenue were determined based on Kunshan Tingshe’s unit selling price to our distributors of the relevant products.
- (2) Details of the volume discounts and incentives to distributors are set out in the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting – 1.1”.
- (3) Details of the sales volume based fees to the Selected Distributors are set out in the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting – 1.2”.
- (4) Represent our revenue recognized from the sale of Kunshan Tingshe Distributed Products through Kunshan Tingshe.

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During the Track Record Period, distributors managed by Kunshan Tingshe have also purchased products other than the Kunshan Tingshe Distributed Products for, inter alia, promotion of the sale of the Kunshan Tingshe Distributed Products by placing orders on the Ordering System. Despite that the distributors would make such purchases through Kunshan Tingshe, no discounts, incentives or fees would be payable to Kunshan Tingshe for the relevant sales and Kunshan Tingshe was not acting as the Distribution Agent in the relevant sales. The relevant sale amounted to RMB2.8 million, RMB21.6 million, RMB10.3 million and RMB24.8 million in the year ended December 31, 2019, 2020 and 2021 and 2022, respectively, and the revenue was classified under general distribution model. Our total revenue attributable to sales through Kunshan Tingshe, including the sale under the general distribution model, amounted to RMB74.7 million, RMB362.4 million, RMB264.6 million and RMB192.5 million for the year ended December 31, 2019, 2020, 2021 and 2022, respectively.

We have endeavored to diversify our distribution channels by introducing sales through the general distribution model and other e-commerce channels. For details, please refer to the section headed “Business – Distribution network” in this prospectus.

(iii) Sale through general distribution model

During the Track Record Period, we also sold certain health management and skincare products through our network of distributors and sub-distributors without engagement of a Distribution Agent. Apart from the sale to the distributors managed by Kunshan Tingshe, under the general distribution model, our products were directly sold to the distributors, who would further sell our products to end consumers through various online and offline channels. For the year ended December 31, 2019, 2020, 2021 and 2022, we generated revenue of RMB8.9 million, RMB21.6 million, RMB24.7 million and RMB29.6 million, respectively, through the general distribution model. For details of our other distributors under the general distribution model, please refer to the section headed “Business – Distribution network – General distribution model” in this prospectus.

(iv) Sale through other e-commerce channels

During the Track Record Period, we have been expanding our distribution channels to various e-commerce channels, including our *Star Plus 4U* App (巨星優選) and our stores on third party online platforms such as our *Tmall* stores, *Kuaidou* stores and *Douyin* stores. In particular, we have expanded our distribution channels to sale through E-commerce Livestreaming sessions on *Douyin* since December 2021 in view of the impacts of the Resurgence on the conduct of offline marketing activities. During the Track Record Period, our revenue generated from sales through other e-commerce channels witnessed an increasing trend amounting to RMB33,000, RMB2.8 million, RMB9.7 million and RMB40.7 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Please also refer to the section headed “Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels” in this prospectus for further details.

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Revenue from IP creation and operation business

For the years ended December 31, 2019, 2020, 2021 and 2022, our revenue generated from IP creation and operation business was RMB5.8 million, RMB91.8 million, RMB64.0 million and RMB104.1 million, representing 6.7%, 20.1%, 17.5% and 30.2% of our total revenue for the same periods, respectively. Our IP creation and operation business could be further subdivided into (i) IP content creation and management; and (ii) IP licensing and sales of related products.

Revenue from IP content creation and management

During the Track Record Period, our revenue generated from IP content creation and management primarily included advertisement income, licensing fees and/or service fees arising from TV and online programs initiated and created by us, service fees generated from project planning services provided to large scale concerts and other events, and income from celebrity IP management. Revenue from this business segment was RMB4.8 million, RMB86.6 million, RMB54.4 million and RMB95.0 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, which accounted for 5.5%, 19.0%, 14.9% and 27.6% of our total revenue in the same periods.

In 2019, we recorded revenue of RMB4.8 million from IP content creation and management which was mainly attributable to our services as a planning service provider for Zhanjiang Superstar Concert held in August 2019. In 2020, we recorded a significant amount of revenue resulting from the airing of *J-Style Trip* season one on Zhejiang Satellite TV and Netflix. For the year ended December 31, 2020, we recorded revenue of RMB81.6 million from the airing of *J-Style Trip* season one which mainly consisted of (i) the licensing fees received from Zhejiang Satellite TV and Netflix during 2020 for the airing of *J-Style Trip* season one; and (ii) advertisement income received from Zhejiang Satellite TV resulting from the airing of *J-Style Trip* season one on their platform. We also generated service fee from the planning of the Ningbo Superstar Performance Mega Night in 2020.

In 2021, our revenue from IP content creation and management decreased to RMB54.4 million mainly because (i) we have generated a significant amount of revenue from the airing of *J-Style Trip* season one in 2020; and (ii) the schedule of events and/or production of IP program have been affected by the COVID-19 pandemic and the related control measures. In addition, we have been expanding our IP content creation and management business through cooperating with different platforms. Our revenue from IP content creation and management during the year ended December 31, 2021 was mainly generated from service fees for the planning and creation of (i) a music talk show, namely *You Can Run But You Can't Hide* (既來之則樂之) on *Kuaishou*; (ii) performances at a music award ceremony organized by a leading music streaming service provider in the PRC; and (iii) performances at variety shows that were streamed on various online platforms, including a leading video sharing and streaming platform in the PRC. We consider that, by leveraging on established business relationship, we would be able to further develop our IP content creation and management business through deeper cooperation with the leading online platforms.

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Our revenue from IP content creation and management has increased from RMB54.4 million for the year ended December 31, 2021 to RMB95.0 million for the year ended December 31, 2022. Such increase was mainly attributable to the revenue generated from (i) certain IP programs, including two World-Cup related music and variety programs, a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou and an online music show centered around Mr. Jay Chou; and (ii) our cooperation with Mr. Liu Keng-hung through Talent Planet. For details of our cooperation with Mr. Liu Keng-hung, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung” in this prospectus. We recognized our revenue from our cooperation with Mr. Liu Keng-hung was derived after deducting, from the total amount of fees to be received from brand owners or the MCN Company (as the case may be), the profit share of the relevant business partners, including but not limited to, channel providers, Mr. Liu Keng-hung and W&V. During the year ended December 31, 2022, we cooperated with the MCN Company in the event planning and IP program associated with Mr. Liu Keng-hung on certain designated online platforms, under which we were entitled to sharing of the sponsorship amounts from brand owners on agreed rates. For details of the cooperation arrangement, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung” in this prospectus.

Revenue from IP licensing and sales of related products

In addition to IP content creation and management, we also generated revenue from licensing of our IPs and sale of related products. Since 2019, we have licensed the *ChouMate* IP to certain entities including banks and toy companies, and designed offline IP operation plans around *ChouMate* as well as sell other accessories products.

For the year ended December 31, 2019, 2020, 2021 and the 2022, we generated revenue of RMB1.0 million, RMB5.2 million, RMB9.6 million, and RMB9.0 million, respectively, from IP licensing and sales of related products which accounted for 1.2%, 1.1%, 2.6% and 2.6% of our total revenue in the same periods. Our revenue from IP licensing and sales of related products increased during the Track Record Period mainly because (i) we have licensed the *ChouMate* IP to increasing number of companies for the use in their business; and (ii) the sale of *ChouMate* accessories and related products had increased.

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Cost of revenue

For the years ended December 31, 2019, 2020, 2021 and 2022, our cost of revenue was RMB30.0 million, RMB224.2 million, RMB138.0 million and RMB121.3 million, respectively.

The following table sets forth the major components of our cost of revenue for the years indicated:

| | Year ended December 31, | | | |
|--|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Cost of goods sold | 24,239 | 102,223 | 86,504 | 76,590 |
| Cost of event planning and management services | 3,901 | 5,414 | 36,311 | 29,529 |
| Transportation and logistics expense | 818 | 2,242 | 6,238 | 5,039 |
| Costs of TV program rights | – | 106,024 | – | – |
| Other tax and surcharges | 742 | 3,273 | 2,374 | 2,008 |
| Provision for impairment of inventories | – | 3,029 | 6,189 | 6,725 |
| Others | 272 | 1,950 | 347 | 1,438 |
| Total | 29,972 | 224,155 | 137,963 | 121,329 |

Cost of goods sold

Costs of revenue from new retail business consisted primarily of cost of goods sold, which was the cost paid to third-party manufacturers and other suppliers for the production of our products. Cost of goods sold was RMB24.2 million, RMB102.2 million, RMB86.5 million and RMB76.6 million for the years ended December 31, 2019, 2020, 2021 and 2022 respectively, which accounted for 80.9%, 45.6%, 62.7% and 63.1% of our total cost of revenue in the same periods. The fluctuation in cost of goods sold was mainly attributable to the fluctuation in our sale of *MODONG* coffee, which was the major products under our new retail business during the Track Record Period.

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Cost of event planning and management services

Cost of event planning and management services was primarily attributable to the cost paid to performers, artist agencies and/or other suppliers in relation to the concerts, event or programs for which we acted as a planning service provider. For the years ended December 31, 2019, 2020, 2021 and 2022, we mainly acted as a planning service provider for one, one, six and seven concerts, events or programs, respectively. For the year ended December 31, 2022, our cost of event planning and management services mainly included (i) fees to service providers in relation to the IP events and programs associated with our cooperation with Mr. Liu Keng-hung and Mr. Jay Chou; and (ii) the monthly service fees to W&V for artiste management services provided in relation to Mr. Liu Keng-hung.

Cost of TV program rights

Our TV program rights are recognized as our costs during the period the relevant programs are released through distribution channels. Costs of TV program rights for the year ended December 31, 2020 was primarily attributable to *J-Style Trip* season one, which was first aired in March 2020 and completed in June 2020. As we did not launch other TV program during other year during the Track Record Period, we did not record any costs of TV program rights in the relevant year.

Provision for impairment of inventories

For the year ended December 31, 2020, 2021 and 2022, we recorded provision for impairment of inventories of RMB3.0 million, RMB6.2 million and RMB6.7 million, respectively, which was mainly related to our inventories of certain non-core products, including children educational gadgets namely Maji Doggie (小麻吉) (“**Maji Doggie**”) and beauty treatment equipment. The relevant products were launched by us in 2018 when we initially tapped into the new retail business on a trial basis. The sale of these products had been adversely affected by the COVID-19 pandemic as (i) their prices were relatively high as compared to our other products; and (ii) the target customers of the beauty treatment equipment were mainly beauty salons, the operation of which had been materially affected by the pandemic. As we consider that (i) the sale of these products would continue to be affected by the pandemic in the near future; and (ii) the target consumers of these products were not in line with our current distribution network, we decided to make full provisions for the inventories of the relevant products for the year ended December 31, 2022. In addition, we have made provision for impairment of inventories for certain raw materials and finished goods of our health management and skincare products during the year ended December 31, 2022. As at December 31, 2022, all the provision of impairment of inventories had been fully written-off. Please refer to the paragraph headed “– Discussion of certain key items of consolidated statement of financial position – Inventories” in this section for further details for the write-off of our provision.

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Gross profit and gross profit margin

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

| | Year ended December 31, | | | | | | | |
|--|-------------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| New retail | | | | | | | | |
| Health management products | 51,111 | 71.1 | 242,166 | 71.1 | 197,177 | 71.6 | 140,192 | 64.9 |
| Skincare products | 1,424 | 41.3 | 14,381 | 70.4 | 13,970 | 65.7 | 9,815 | 60.3 |
| Others ^(Note) | 2,601 | 48.0 | (2,059) | (51.9) | (5,677) | (116.8) | 739 | 9.5 |
| Subtotal | <u>55,136</u> | 68.2 | <u>254,488</u> | 69.7 | <u>205,470</u> | 68.2 | <u>150,746</u> | 62.8 |
| IP creation and operation | | | | | | | | |
| IP content creation and management | 1,290 | 27.1 | (24,011) | (27.7) | 18,222 | 33.5 | 65,497 | 68.9 |
| IP licensing and sales of related products | 187 | 18.2 | 2,312 | 44.4 | 3,690 | 38.6 | 6,585 | 72.9 |
| Subtotal | <u>1,477</u> | 25.5 | <u>(21,699)</u> | (23.6) | <u>21,912</u> | 34.3 | <u>72,082</u> | 69.3 |
| Total | <u><u>56,613</u></u> | 65.4 | <u><u>232,789</u></u> | 50.9 | <u><u>227,382</u></u> | 62.2 | <u><u>222,828</u></u> | 64.7 |

Note: Others represent our gross profit/(loss) and gross profit/(loss) margin of the sale of our non-core products, mainly including Maji Doggie (a children educational gadget), beauty treatment equipment and air purifier. We recorded gross loss from the sale of other products for the year ended December 31, 2020 and 2021 mainly due to the provision for impairment in respect of inventories of certain non-core products. For details, please refer to the paragraph headed “– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories” in this section above.

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Our gross profit was RMB56.6 million, RMB232.8 million, RMB227.4 million and RMB222.8 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 65.4%, 50.9%, 62.2% and 64.7% in the same periods, respectively. Our gross profit increased from RMB56.6 million for 2019 to RMB232.8 million for 2020 primarily due to the increase of gross profit generated from the sale of our *MODONG* coffee. We recorded a decrease in the gross profit margin from 65.4% in 2019 to 50.9% in 2020 primarily because we recorded a gross loss for our IP creation and operation business which was negatively impacted by COVID-19 in 2020. Our gross profit decreased from RMB232.8 million in 2020 to RMB227.4 million in 2021 mainly due to the decrease in the sale of our *MODONG* coffee. Our gross profit margin increased from 50.9% in 2020 to 62.2% in 2021, mainly due to the improvement in the gross profit margin of our IP creation and operation services. Our gross profit decreased from RMB227.4 million for the year ended December 31, 2021 to RMB222.8 million for the year ended December 31, 2022, which was mainly due to the decrease in our gross profit from the new retail business, as partially offset by the increase in our gross profit from the IP creation and operation business. Our gross profit margin increased from 62.2% for the year ended December 31, 2021 to 64.7% for the year ended December 31, 2022, which was mainly attributable to the increase in the gross profit margin of our IP creation and operation business.

New retail business

Our gross profit for new retail business was RMB55.1 million, RMB254.5 million, RMB205.5 million and RMB150.7 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 68.2%, 69.7%, 68.2% and 62.8% in the same periods, respectively.

Gross profit and gross profit margin of health management products

We officially launched *MODONG* coffee and *Molitone* prebiotic gummy nationwide in April 2019 and April 2020, respectively. In 2021, with a view to expand our product offerings, we further launched various health management products including the *MODONG* herb beverage and *MODONG* probiotics lyophilized powder. Our gross profit for health management products was RMB51.1 million, RMB242.2 million, RMB197.2 million and RMB140.2 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. The gross profit of our health management products demonstrated a similar trend as the revenue. The gross profit margin of our health management products remained relatively stable at 71.1%, 71.1% and 71.6% for the years ended December 31, 2019, 2020 and 2021, respectively. The gross profit margin of our health management products decreased to 64.9% for the year ended December 31, 2022 mainly due to the decrease in the revenue contribution of *MODONG* coffee which has a relatively higher gross profit margin than other health management products.

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Gross profit and gross profit margin of skincare products

Our gross profit for skincare products was RMB1.4 million, RMB14.4 million, RMB14.0 million and RMB9.8 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 41.3%, 70.4%, 65.7% and 60.3% in the same periods, respectively.

We recorded an increase in our gross profit for skincare products from 2019 to 2020 because, with the airing of *J-Style Trip* season one on various viewing platforms such as Zhejiang Satellite TV and Netflix in March 2020, less operational and marketing resources would have to be placed into *MODONG* coffee given the airing *J-Style Trip* season one has directly empowered the sales volume of *MODONG* coffee during the relevant period by creating a promotional effect. As a result, we were able to divert the excess resources into the marketing of skincare products, and this resulted in an increase in the sales revenue of skincare products in 2020. Moreover, by this stage, we have obtained a more thorough understanding of the market and therefore we decided to focus on selling products that has a relative higher gross profit margin during 2020. As a result, our gross profit margin for the year ended December 31, 2020 increased to 70.4%.

For the year ended December 31, 2021, our gross profit from skincare products remained relatively stable at RMB14.0 million, as compared to that of 2020. The gross profit margin of our skincare products decreased from 70.4% in the year ended December 31, 2020 to 65.7% in the year ended December 31, 2021, primarily due to the launch of certain new products in 2021 with lower gross profit margin.

Our gross profit from skincare products decreased from RMB14.0 million for the year ended December 31, 2021 to RMB9.8 million for the year ended December 31, 2022. The gross profit margin of our skincare products also decreased from 65.7% for the year ended December, 2021 to 60.3% for the year ended December 31, 2022. Such decrease was mainly due to (i) the decrease in the average price of our skincare products arising from marketing activities conducted by us, including the offer of bulk-purchase discounts and the provision of samples and gifts, in view of the weak market sentiment during the year ended December 31, 2022; and (ii) our provision made for impairment for certain, inter alia, raw materials and finished goods of our skincare products during the year ended December 31, 2022.

Gross profit and gross profit margin of other products

We recorded gross profit from the sale of other products of RMB2.6 million and RMB0.7 million for the year ended December 31, 2019 and 2022, respectively with a gross profit margin of 48.0% and 9.5%, respectively. For the year ended December 31, 2020 and 2021, we recorded gross loss of RMB2.1 million and RMB5.7 million respectively, from our sale of our other products, primarily due to the provision of impairment for inventories of RMB3.0 million and RMB6.2 million recorded in the corresponding periods, in connection with certain slow-moving products which were our non-core products. For details of our provision for impairment for

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inventories, please refer to the paragraph headed “– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories” in this section above.

Gross profit and gross profit margin of IP creation and operation business

We recorded gross profit for IP creation and operation business of RMB1.5 million, RMB21.9 million and RMB72.1 million for the years ended December 31, 2019, 2021 and 2022, respectively. Our gross profit margin was 25.5%, 34.3% and 69.3% in the same periods, respectively. For the year ended December 31, 2020, we have recorded a gross loss of RMB21.7 million primarily due to the gross loss we recorded in connection with *J-Style Trip* season one.

Gross profit and gross profit margin of IP content creation and management

In the year ended December 31, 2019, we generated a gross profit of RMB1.3 million, with a gross profit margin of 27.1%, from our provision of planning services for Zhanjiang Superstar Concert. For the year ended December 31, 2020, we have recorded a gross loss of RMB24.0 million as compared to gross profit of RMB1.3 million for the year ended December 31, 2019, primarily attributable to the uncertain economic conditions resulting from COVID-19 during the period of airing *J-Style Trip* season one in March 2020 in Zhejiang Satellite TV. Given the uncertain economic conditions during the relevant period, there was a cancellation of a number of advertisements in and between the shows as a result of the general negative impact of COVID-19 at the time, and ultimately resulted in a significant decrease in the relevant advertisement fees received by us.

For the year ended December 31, 2021, we recorded a gross profit of RMB18.2 million and gross profit margin of 33.5% for our IP content creation and management business. This is primarily attributable to the service fees we received from organizing (i) the music talk show of *You Can Run But You Can't Hide* (既來之則樂之), which was aired on *Kuaishou* during the Chinese New Year in 2021; (ii) the performances in a music event organized by a leading music streaming service provider in the PRC; and (iii) variety shows that were streamed on various online platforms.

Our gross profit from IP content creation and management increased from RMB18.2 million for the year ended December 31, 2021 to RMB65.5 million for the year ended December 31, 2022, which was mainly attributable to our service fees from organizing and planning of a variety show broadcast and Livestreaming sessions on a leading short videos platform in the PRC, as well as revenue generated from our cooperation with Mr. Liu Keng-hung. For details of our cooperation, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang” in this prospectus. Our gross profit margin from IP content creation and management also increased from 33.5% for the year ended December 31, 2021 to 68.9% for the year ended December 31, 2022, mainly because our revenue from the cooperation with Mr. Liu Keng-hung was recorded on a net basis, after deducting the fees payable to the MCN Company, W&V and/or Mr. Liu Keng-hung. Please refer to the paragraph headed “Description of major components of our results of operations – Revenue – Revenue from IP creation and operation business” in this section.

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Gross profit and gross profit margin of IP licensing and sales of related products

Our gross profit for IP licensing and sales of related products, such as *ChouMate* and other accessories products was RMB187,000, RMB2.3 million, RMB3.7 million and RMB6.6 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively. Our gross profit margin was 18.2%, 44.4%, 38.6% and 72.9% in the same periods, respectively. We recorded an increase in gross profit and gross profit margin for the year ended December 31, 2022 mainly due to (i) the increase in the revenue contribution from licensing fee which had a comparatively higher gross profit margin; and (ii) the decrease in the revenue contribution from sale of IP related products which had a relatively lower gross profit margin.

Selling and marketing expenses

The table below sets forth a breakdown of the components of our selling and marketing expenses for the years indicated:

| | Year ended December 31, | | | | | | | |
|--------------------------------------|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Advertising and marketing expenses | 4,423 | 30.7 | 41,517 | 43.7 | 35,462 | 37.8 | 17,571 | 24.3 |
| Commissions | 3,290 | 22.9 | 38,026 | 40.1 | 40,122 | 42.8 | 32,309 | 44.6 |
| Employee benefit expenses | 3,993 | 27.7 | 10,748 | 11.3 | 14,970 | 16.0 | 19,328 | 26.7 |
| Traveling and entertainment expenses | 1,107 | 7.7 | 2,079 | 2.2 | 1,845 | 2.0 | 1,771 | 2.4 |
| Office expenses | 517 | 3.6 | 847 | 0.9 | 328 | 0.3 | 757 | 1.0 |
| Others | 1,063 | 7.4 | 1,697 | 1.8 | 1,082 | 1.1 | 711 | 1.0 |
| | <u>14,393</u> | <u>100.0</u> | <u>94,914</u> | <u>100.0</u> | <u>93,809</u> | <u>100.0</u> | <u>72,447</u> | <u>100.0</u> |

For the years ended December 31, 2019, 2020, 2021 and 2022, our selling and marketing expenses amounted to RMB14.4 million, RMB94.9 million, RMB93.8 million and RMB72.4 million, which accounted for 16.6%, 20.8%, 25.7% and 21.1% of our total revenue for the same periods, respectively. The significant increase in selling and marketing expenses during the three years ended December 31, 2021 was primarily due to the increase in advertising and marketing expenses, commissions, and employee benefit expenses, which was in line with our business expansion and development. Our selling and marketing expenses decreased from RMB93.8 million for the year ended December 31, 2021 to RMB72.4 million for the year ended December 31, 2022 mainly due to the decrease in our advertising and marketing expenses and commissions. For details, please refer to the paragraph headed “– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses” in this section below.

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Our selling and marketing expenses primarily include:

- *advertising and marketing expenses*, which mainly consisted of TV sponsorship, advertisement and marketing, expenses for providing trial samples and packaged gifts, expenses for hosting events, conferences, meetings and training workshops for our distributors. Please refer to the below paragraph headed “– Advertising and marketing expenses” for further details for our advertising and marketing expenses;
- *commissions*, which mainly consisted of Service Fee to Li Ting, Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe, Additional Incentive Fee to Kunshan Tingshe and commissions to celebrities and KOLs. For details, please refer to the paragraph headed “– Commission” below;
- *employee benefit expenses*, which mainly consisted of wages, social security costs, housing benefits and compensation expenses paid to our sales and marketing staff;
- *traveling and entertainment expenses*, which mainly consisted of disbursement incurred in connection with the sales and marketing activities;
- *office expenses*, which mainly consist of decorations, refurbishments, and daily maintenance; and
- *others*, such as daily operating expenses.

Advertising and marketing expenses

The following table sets forth the breakdown of advertising and marketing expenses for the years indicated:

| | Year ended December 31, | | | | | | | |
|---|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| TV sponsorship, advertisement and marketing ^(Note 1) | 1,404 | 31.7 | 14,135 | 34.0 | 5,669 | 16.0 | 8,131 | 46.3 |
| Trial samples and packaged gifts ^(Note 2) | – | – | 7,181 | 17.3 | 9,374 | 26.4 | 3,686 | 21.0 |
| Events and trainings ^(Note 3) | 1,469 | 33.3 | 11,440 | 27.6 | 14,472 | 40.8 | 4,301 | 24.5 |
| Concert sponsorship fees | – | – | 3,532 | 8.5 | – | – | – | – |
| Spokesperson fees | 1,067 | 24.1 | 1,045 | 2.5 | 771 | 2.2 | – | – |
| Others ^(Note 4) | 483 | 10.9 | 4,184 | 10.1 | 5,176 | 14.6 | 1,453 | 8.2 |
| | <u>4,423</u> | <u>100.0</u> | <u>41,517</u> | <u>100.0</u> | <u>35,462</u> | <u>100.0</u> | <u>17,571</u> | <u>100.0</u> |

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Notes:

1. Our expenses on TV sponsorship, advertisement and marketing mainly included fees paid to advertisement agencies and service providers for advertisement production and organizing promotion campaigns in respect of our products, including our marketing fees incurred for (i) the placement of TV advertisement and product placement of our *MODONG* coffee in a TV program on Zhejiang Satellite TV, namely *The Journey of Poetic Soul* (還有詩和遠方) in the amount of RMB9.4 million and RMB1.9 million for 2020 and 2021, respectively; (ii) the placement of TV advertisement for *MODONG* coffee during the airing time of *The Shape of Culture season 2* (萬里走單騎2) in the amount of RMB314,000 and RMB1.6 million for 2021 and 2022, respectively; (iii) service fees for the operation of the *MODONG* health (魔胴健康) APP, which was used in a promotion campaign of the Group, in the amount of RMB2.1 million and RMB3.5 million for 2020 and 2021, respectively; and (iv) service fees paid to Kunshan Huaxing mainly for the operation of *Star Plus 4U* (巨星優選) App in the amount of RMB3.4 million during 2022.
2. We provided trial samples and packaged gifts to existing and potential distributors, sub-distributors and consumers as part of our promotion activities. As the provision of trial samples and packaged gifts was mainly for the promotion of our products and our brand, the relevant expenses were borne by our Group instead of Kunshan Tingshe.
3. Our expenses on event and training mainly included our fees incurred in the hosting of our annual events, conferences, meetings and trainings relating to our branding and products among our distributors, sub-distributors and/or other business partners, including but not limited to expenses on transportation, venue and accommodations for the relevant events, for the purpose of, among other things, promoting and enhancing our brand awareness. Such expenses were mainly attributable to (i) hosting of our annual events, conference tours and other large-size events, including (a) our annual event in Ningbo and conference tour in Chengdu during 2020 in the amount of RMB5.5 million and RMB3.6 million, respectively; (b) our four-day annual event in Ocean Flower Island and conference tour in Xi'an and Qinghai during 2021 in the amount of RMB7.0 million and 5.1 million, respectively; and (c) conference tour in Xishuangbanna and Changxing during 2022 in the amount of RMB1.5 million and RMB2.1 million, respectively. The above events were for, among other things, the promotion of our brand's awareness and foster brand loyalty among our distributors, during which we may announce our business plans such as upcoming IP programs or events and launch of new products; and (ii) payment to a service provider in the amount of RMB2.4 million and RMB1.9 million for 2020 and 2021, respectively, for the provision of trainings on our corporate culture, knowledge and theory of low-carb diet, the features, usage and ingredients of our products and how consumption of our products can be implemented to daily lives to maximize the effect thereof etc. For details, please refer to the section headed "Business – Marketing initiatives – Promotion and marketing activities".
4. Others mainly included our expenses in relation to the promotion and marketing of our brand and/or our products, such as fees to external service provider for the production of promotional videos and materials and planning of marketing activities. Such expenses increased in 2020 and 2021 mainly due to the expansion of our business scale and product offerings.

We recorded advertising and marketing expenses of RMB4.4 million, RMB41.5 million, RMB35.5 million and RMB17.6 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

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Since the disposal of Kunshan Tingshe in May 2020, the marketing and promotion activities conducted by our Group have mainly focused on the promotion of our brand and products; whereas Kunshan Tingshe has mainly conducted marketing and promotion activities for the development of the distribution network. Such arrangement is in line with the respective roles and responsibilities of our Group and Kunshan Tingshe in respect of the sale of the Kunshan Tingshe Distributed Products, with our Group focusing on the development of products and Kunshan Tingshe being responsible for the development and day-to-day management of the distribution network. For details of the marketing and promotion activities and training activities respectively conducted by us and Kunshan Tingshe, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Roles and responsibilities of our Group, Kunshan Tingshe and Kunshan Jiameng” in this prospectus.

For the year ended December 31, 2020, our advertising marketing expenses increased significantly by RMB37.1 million from RMB4.4 million in 2019 to RMB41.5 million in 2020. Such increase was mainly attributable to:

- (i) increase in our expenses on TV sponsorship, advertisement and marketing activities from RMB1.4 million in 2019 to RMB14.1 million in 2020, primarily included (a) marketing fees to a marketing agency service provider (the “**Marketing Agency**”) for the placement of TV advertisement and product placement of our *MODONG* coffee in a TV program on Zhejiang Satellite TV, namely *The Journey of Poetic Soul* (還有詩和遠方), in the amount of RMB9.4 million. For details of our cooperation with the Marketing Agency, please refer to the paragraph headed “– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses – Our cooperation with the Marketing Agency” in this section below; and (b) service fees paid to Kunshan Huaxing in the amount of RMB2.1 million for the operation of the *MODONG* health (魔胴健康) APP, which was used in a promotion campaign of the Group; and
- (ii) increase in our expenses on events and trainings from RMB1.5 million in 2019 to RMB11.4 million in 2020 as a result of the significant increase in the number of our distributors and sub-distributors, primarily attributable to (a) expenses on the hosting of our annual event in Ningbo in January 2020 in the amount of RMB5.5 million; (b) expenses on organizing a distributors’ conference in Chengdu in August 2020 in the amount of RMB3.6 million; and (c) payment to a service provider in the amount of RMB2.4 million for the provision of trainings to our distributors.

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Our advertising and marketing expenses decreased from RMB41.5 million in 2020 to RMB35.5 million in 2021, which was primarily due to (i) the decrease of our expenses on TV sponsorship, advertisement and marketing activities from RMB14.1 million in 2020 to RMB5.7 million in 2021; and (ii) the fact that we did not incur any concert sponsorship fees as we have not planned any concert in 2021. Such decrease was partially offset by (a) the increase in our expenses on events and trainings from RMB11.4 million in 2020 to RMB14.5 million in 2021 which was mainly attributable to our expenses incurred on the hosing of a four-day annual event held in Ocean Flower Island in April 2021, including expenses on transportation, venue, accommodation and stage production, in the amount of RMB7.0 million; and (b) the increase in expenses for providing trial samples and packaged gifts by RMB2.2 million for the promotion of our new retail business on various sales channels.

Our advertising and marketing expenses decreased significantly from RMB35.5 million in the year ended December 31, 2021 to RMB17.6 million in the year ended December 31, 2022 mainly attributable to (i) the decrease in our expenses on events and trainings by RMB10.2 million; and (ii) the decrease in expenses on trial samples and packaged gifts by RMB5.7 million as our offline marketing activities were materially affected by control measures imposed by the local government due to the Resurgence of the COVID-19 pandemic.

Our cooperation with the Marketing Agency

During the Track Record Period, we engaged the Marketing Agency for the placement of advertisements of our products primarily through TV channels. For the years ended December 31, 2020, 2021 and 2022, our advertising and marketing expenses attributable to the Marketing Agency amounted to RMB9.4 million, RMB2.2 million and RMB1.6 million, respectively. To the best knowledge and information of our Director, the Marketing Agency is a designated marketing agent of certain online media platforms and TV channels. Our Directors are of the view that it is a common market practice for media platforms and/or TV channels to appoint or designate one or more marketing agent(s) to arrange for placement and production of advertisements to be placed on their platforms or channels. Please also refer to the paragraph headed “– Description of certain key items of consolidated statement of financial position – Trade and other receivables – Other receivables – Deposits” in this section below for further discussion on the balance of our deposit to the Marketing Agency as of December 31, 2022.

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Commissions

The following table sets forth the breakdown of commissions for the years indicated:

| | Year ended December 31, | | | |
|---|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Commissions to Kunshan Tingshe | | | | |
| Remaining Balance of the Fixed Mark-up | | | | |
| – Service Fee to Li Ting ⁽¹⁾ | 3,290 | 17,957 | 12,913 | 7,389 |
| – To cover other operating costs of Kunshan Tingshe ⁽¹⁾⁽³⁾ | – | 8,404 | 25,779 | 15,595 |
| Additional Incentive Fee to Kunshan Tingshe ⁽²⁾⁽³⁾ | – | 11,665 | – | – |
| Sub-total | 3,290 | 38,026 | 38,692 | 22,984 |
| Commissions to other Distribution Agents | | | | |
| | – | – | 1,430 | 753 |
| Commissions to celebrities and KOLs⁽⁴⁾ | | | | |
| | – | – | – | 8,572 |
| | <u>3,290</u> | <u>38,026</u> | <u>40,122</u> | <u>32,309</u> |

Notes:

- As mentioned in the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Discount, incentives and fees to distributors and Li Ting”, the Remaining Balance of the Fixed Mark-up was used to cover operating costs of Kunshan Tingshe including Service Fee to Li Ting.
- It represented the sales incentives to Kunshan Tingshe. For details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products – Additional incentive fees to Kunshan Tingshe”.
- Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe of RMB9.1 million and RMB9.9 million for 2019 and the five months ended May 31, 2020 respectively; and Additional Incentive Fee to Kunshan Tingshe of RMB7.8 million for the five months ended May 31, 2020 were fully eliminated in our consolidated financial statements. For details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing Arrangement and Discounts, Incentives and Fees in relation to the Sales of Kunshan Tingshe Distributed Products”.

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4. Represented commissions to celebrities and/or KOLs for promotion of (i) the sales of our products on our *Douyin* stores; and (ii) the sales of other products on our *Douyin* account. For details, please refer to the section headed “Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels” in this prospectus”.

The significant increase in commission expense from RMB3.3 million in 2019 to RMB38.0 million in 2020 was primarily due to the fact that: (i) the Service Fee to Li Ting increased from RMB3.3 million in 2019 to RMB18.0 million in 2020 as a result of the increase in sales volume of *MODONG* coffee; (ii) the sales incentive scheme with Kunshan Tingshe since 2020 to further motivate Kunshan Tingshe for the sales of *MODONG* coffee, leading to Additional Incentive Fee to Kunshan Tingshe of RMB11.7 million; and (iii) Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe as expense of RMB8.4 million since the disposal of Kunshan Tingshe in May 2020.

Our commission expense further increased from RMB38.0 million from 2020 to RMB40.1 million in 2021, primarily due to the increase in the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe by RMB17.4 million in 2021 as compared to that of 2020. The increase in the Remaining Balance of Fixed Mark-up to cover other operating costs of Kunshan Tingshe was mainly attributable to (i) the decrease in the sale of the *MODONG* coffee in 2021, which resulted in decrease in the discounts and incentives to distributors and the sales volume based fees to the Selected Distributors; and (ii) the amounts of the Remaining Balance of Mark-up incurred prior to our disposal of Kunshan Tingshe in 2020 had been eliminated in our consolidated financial statements for the year ended December 31, 2020, which was partially offset by (i) the decrease in the Service Fee to Li Ting by RMB5.0 million resulted from the decrease in the sale of *MODONG* coffee; and (ii) the decrease in Additional Incentive Fee to Kunshan Tingshe by RMB11.7 million as the sale of *MODONG* coffee for the year ended December 31, 2021 did not meet our prescribed target.

Our commission expenses decreased from RMB40.1 million for the year ended December 31, 2021 to RMB32.3 million for the year ended December 31, 2022 mainly due to the decrease in the sale of the Kunshan Tingshe Distributed Products resulted from the Resurgence of COVID-19 pandemic in the PRC during the year ended December 31, 2022, in particular in the first half of 2022. The decrease in our commission to Kunshan Tingshe during the year ended December 31, 2022 was partially offset by our commission to celebrities and KOLs for promotion of the sale of our products through online platforms, which is in line with the growth in our revenue from the new retail business attributable to sale through other e-commerce channels during the year ended December 31, 2022. For details, please refer to “Business – Distribution network – Distribution through other e-commerce channels – Other e-commerce channels” in this prospectus.

Pursuant to our agreement with Kunshan Tingshe, Kunshan Tingshe shall sell our products to the distributors at a price equals to our selling price to Kunshan Tingshe plus the Fixed Mark-up and the Fixed Mark-up is intended to cover certain volume discounts, incentives and sales volume based fees to the Selected Distributors, Service Fees to Li Ting and other operating costs of Kunshan Tingshe. For details of the pricing arrangement in respect of the Kunshan Tingshe Distributed Products, please refer to the section headed “Distribution arrangement with

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Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus.

Accordingly, assuming that other factors remain constant, in the event of a decrease in volume discounts and incentives to distributors, sales volume based fees to the Selected Distributors and/or Service Fees to Li Ting, which were directly associated with the sale of the Kunshan Tingshe Distributed Products, the portion of the Fixed Mark-up to cover the other operating costs of Kunshan Tingshe will increase. As confirmed by the Company, such mechanism was established with the aim to provide additional funding to Kunshan Tingshe for sale and marketing activities in the event of a decrease in the sale of Kunshan Tingshe Distributed Products.

General and administrative expenses

The table below sets forth a breakdown of the components of our general and administrative expenses for the years indicated:

| | Year ended December 31, | | | | | | | |
|---|-------------------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Legal and professional fees | 1,179 | 11.4 | 5,671 | 18.0 | 9,381 | 14.4 | 6,113 | 9.5 |
| Employee benefit expenses | 4,870 | 47.1 | 12,824 | 40.6 | 27,762 | 42.7 | 32,176 | 50.2 |
| Rental expenses for short-term leases | 304 | 2.9 | 396 | 1.3 | 538 | 0.8 | 959 | 1.5 |
| Traveling and entertainment expenses | 1,451 | 14.0 | 1,525 | 4.8 | 3,075 | 4.7 | 2,405 | 3.8 |
| Depreciation of right-of-use assets | 436 | 4.2 | 955 | 3.0 | 1,121 | 1.7 | 2,608 | 4.1 |
| Office expenses | 549 | 5.3 | 2,623 | 8.3 | 2,255 | 3.5 | 2,495 | 3.9 |
| Depreciation of property, plant and equipment | 59 | 0.6 | 539 | 1.7 | 1,504 | 2.3 | 3,502 | 5.5 |
| Donations | – | – | 1,494 | 4.7 | – | – | 500 | 0.8 |
| Listing expenses | – | – | 2,893 | 9.2 | 15,535 | 23.9 | 10,059 | 15.7 |
| Others | 1,482 | 14.5 | 2,643 | 8.4 | 3,920 | 6.0 | 3,277 | 5.0 |
| Total | 10,330 | 100.0 | 31,563 | 100.0 | 65,091 | 100.0 | 64,094 | 100.0 |

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Our general and administrative expenses primarily consisted of:

- *legal and professional fees*, which mainly consisted of fees for legal and compliance services, consultancy services and other professional services, details of which were set out in the paragraph headed “– Legal and professional fees” below;
- *employee benefit expenses*, which mainly consisted of wages, social security costs, housing benefits and compensation expenses for our administrative staff;
- *traveling and entertainment expenses*, which mainly consisted of disbursement incurred during our daily operation in an administrative aspect;
- *depreciation of right-of-use assets*, which mainly consisted of depreciation of our property leases;
- *depreciation of property, plant and equipment*, which mainly consisted of depreciation of our land and buildings and leasehold improvements;
- *listing expenses*, which mainly consisted of professional fees and other fees incurred in connection with the Listing; and
- *others*, which mainly consisted of miscellaneous and administrative expenses.

For the years ended December 31, 2019, 2020, 2021 and 2022, our general and administrative expenses amounted to RMB10.3 million, RMB31.6 million, RMB65.1 million and RMB64.1 million, which accounted for 11.9%, 6.9%, 17.8% and 18.6% of our total revenue for the same periods, respectively. The increase in our general and administrative expenses during the Track Record Period was primarily due to the increase of employee benefit expenses and legal and professional fees which illustrate our continuous support and enhancement on the expansion of IP portfolio and our business growth. As a result of our historical results of operations, and in light of the significant growth of our operational scale, we consider it is necessary to devote additional efforts to expand our workforce and strengthen our corporate governance. Therefore, we recorded a general increase in our general and administrative expenses during the Track Record Period.

Legal and professional fees

Our legal and professional fees amounted to RMB1.2 million, RMB5.7 million, RMB9.4 million and RMB6.1 million for the year ended December 31, 2019, 2020, 2021 and 2022, respectively. We recorded an increasing trend in our legal and professional fees for the three years ended December 31, 2021, which was in line with our business growth. Such increase was mainly attributable to the increase in our expenses on (i) IP registration and related legal services following the expansion of our IP portfolio, including IPs of *ChouMate*, *Dr.mg*, *Chaxiaojie* as well as our IP programs; and (ii) audit, assurance and tax advisory services as well as financial and management reporting advisory services in connection with our preparation for the listing.

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Set forth below is the breakdown of our legal and professional fees for the years indicated:

| | For the year ended December 31, | | | |
|--|---------------------------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Legal and compliance services | | | | |
| Litigation and related legal services ⁽¹⁾ | 100 | 693 | 1,683 | 878 |
| IP registration and related legal services | 163 | 3,310 | 2,534 | 2,063 |
| Company secretary and other legal and compliance services | 65 | 417 | 999 | 457 |
| | 328 | 4,420 | 5,216 | 3,398 |
| Professional services | | | | |
| Audit, assurance and tax advisory ⁽²⁾ | 13 | 602 | 964 | 734 |
| Valuation ⁽³⁾ | 36 | 250 | 272 | – |
| Design and brand building advisory | 568 | 304 | 150 | – |
| IT system related services | 226 | – | 193 | – |
| | 843 | 1,156 | 1,579 | 734 |
| Consultancy services | | | | |
| Financial and management reporting advisory ⁽⁴⁾ | – | – | 2,215 | 386 |
| Business consultancy ⁽⁵⁾ | – | – | 210 | 1,529 |
| | – | – | 2,425 | 1,915 |
| Others⁽⁶⁾ | 8 | 95 | 161 | 66 |
| Total | 1,179 | 5,671 | 9,381 | 6,113 |

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Notes:

- (1) Our expenses on litigation and related legal services during the Track Record Period was mainly related to the litigation with our ex-marketing agency and legal proceedings relating to counterfeit products and our IPs.
- (2) Mainly represented professional service fees payable to audit firms and tax advisory service providers in respect of our preparation of the statutory financial statements of our subsidiaries in the PRC and Hong Kong.
- (3) Mainly represented service fees for valuation services in connection with the Reorganization.
- (4) Represented our fees paid to an consultant for advisory services in relation to the financial and management reporting of our Group for the preparation of the Listing.
- (5) We recorded an increase in the professional fees for business consultancy services for the year ended December 31, 2022, which was mainly attributable to the consultancy services for the business development relating to metaverse.
- (6) Others mainly represented fees to services providers for, among other things, services related to product development and office management with a relatively insignificant transaction amounts.

Other income

The following table sets forth our other income for the years indicated:

| | Year ended December 31, | | | |
|-----------------------------------|--------------------------------|--------------|-------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Forfeited deposit | – | 1,600 | – | – |
| Government grants | 123 | 1 | 116 | 16,471 |
| Additional deduction of input VAT | 28 | 91 | 118 | 289 |
| Others | – | – | – | 5,084 |
| | 151 | 1,692 | 234 | 21,844 |

Forfeited deposit

In June 2018 and March 2019, an Independent Third Party placed an initial deposit with us, intending to co-invest in the Ningbo Superstar Performance Mega Night which held in January 2020. However, given significant uncertainties brought by the COVID-19 outbreak and its further development as a global pandemic, the investor decided not to honor its contractual obligation to continue its investment, and we therefore confiscated its deposit by exercising our contractual right after the defaulted investor ceased its investment. As a result, we recorded forfeited deposit of RMB1.6 million as other income for the year ended December 31, 2020.

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Government grants

Governments grants of RMB16.5 million for the year ended December 31, 2022 primarily comprised (i) the financial subsidies received from the Department of Finance in Kunshan for the efforts of maintaining stability of employees and business during the pandemic; and (ii) one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone. These grants are recognized as income upon receipt.

Others

Our other income during the year ended December 31, 2022 mainly represented the income from our promotion activities. To stimulate the order demand of our new retail business, we organized a promotion activity in February and March 2022, where distributors who ordered a large amount of our products would receive a smartphone as incentive. The smartphones have been treated as a separate performance obligation where income has been allocated based on their relative standalone selling price estimated using observable market information. We recognized other expenses of RMB5.8 million for the year ended December 31, 2022, being the purchase costs of the smartphones for the abovementioned promotion activity.

Other gains/(losses), net

The following table sets forth our other gains/(losses), net for the years indicated:

| | Year ended December 31, | | | |
|--|--------------------------------|---------------|--------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Settlement of <i>J-Style Trip</i> season one's investment | – | 9,400 | – | – |
| Net foreign exchange gains/(losses) | – | 34 | 3,558 | (9,855) |
| Fair value change on financial assets at FVPL | – | – | 435 | – |
| Gains on disposal of subsidiaries | – | 829 | – | – |
| Losses on deregistration of a subsidiary | – | – | (54) | – |
| Others | (114) | (9) | 17 | 302 |
| Other gains/(losses) – net | (114) | 10,254 | 3,956 | (9,553) |

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We recorded other losses of RMB114,000 and RMB9.6 million for the year ended December 31, 2019 and 2022, respectively and other gains of RMB10.3 million and RMB4.0 million for the year ended December 31, 2020 and 2021, respectively.

For the year ended December 31, 2020, we recorded a settlement sum of RMB9.4 million, in connection with the investment made by an investor, who is an Independent Third Party, in connection with the *J-Style Trip* season one. The investor initially entered into an investment agreement in March 2018 with us to invest RMB21.4 million into *J-Style Trip* season one and the investment fund of RMB21.4 million received from the investor were recorded as other payable as of December 31, 2019. In April 2020, in view of the uncertainty in the investment return of the program due to the outbreak of COVID-19, the investor and the Group agreed to early terminate the agreement with RMB12.0 million as the final settlement. The difference between funding receipt and settlement payment amounting to RMB9.4 million was recognized accordingly during the year ended December 31, 2020.

We recorded other gains of RMB4.0 million for the year ended December 31, 2021, comprising (i) net foreign exchange gains of RMB3.6 million mainly arising from cash denominated in RMB of our Hong Kong subsidiaries; and (ii) fair value gains of RMB435,000 in connection with the wealth management products that we purchased during the relevant period.

We recorded other loss of RMB9.6 million for the year ended December 31, 2022, which was primarily attributable to our net foreign exchange losses of RMB9.9 million mainly due to the exchange loss arising from the bank balance held by the offshore subsidiaries which was denominated in RMB as a result of the depreciation of RMB against HK dollars during the period, which was denominated in HK dollars, as a result of the devaluation of RMB to HK dollars during the relevant period.

Fair value change on financial assets at FVPL

During the year ended December 31, 2021, we acquired financial assets at FVPL in the amount of RMB80.0 million. Such financial assets at FVPL comprised certain wealth management products with floating returns from state-owned or reputable national banks in the PRC denominated in RMB and redeemable within three months. As the wealth management products have been redeemed during the year ended December 31, 2021, we did not record any financial assets at FVPL as at December 31, 2021. During the year ended December 31, 2021, we recorded other gain from the change in fair value of financial assets at FVPL of RMB435,000.

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As part of our treasury management policy, we have purchased wealth management products as a mean to better utilize of our cash on hand on a short-term basis. We have established a set of investment policies and internal control measures to safeguard our exposure to investment risks in connection with the purchase of wealth management products. These policies and measures include:

- the types of investments shall generally be low risk wealth management products including fixed deposits and investments with fixed investment amounts and/or guaranteed returns;
- our investments in wealth management products shall be authorized and approved by Mr. Lai, our executive Director and chief financial officer, who has over 30 years of working experience in accounting and financial advisory. For details of the experience of Mr. Lai, please refer to the section headed “Directors and senior management” in this prospectus;
- investments shall only be made when we have surplus cash that is not required for short-term working capital purposes;
- we shall only purchase wealth management products issued by creditworthy commercial banks and/or other qualified financial institution; and
- our finance department is responsible for ensuring that the wealth management products are properly recorded in our financial statements and monitoring the performance of our wealth management products. Any significant or adverse fluctuation in the wealth management products shall be reported to our management in a timely manner.

Any proposed investment in wealth management products which are not made in accordance with our treasury policy shall be subject to the approval of our Board.

The purchases or subscriptions of wealth management products by our Group will, upon Listing, constitute notifiable transactions of our Company and will be subject to the applicable requirements under Chapter 14 of the Listing Rules.

Operating profit

Our operating profit was RMB32.0 million, RMB113.8 million, RMB73.6 million and RMB92.0 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

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Finance income/(costs), net

The following table sets forth our finance income, finance costs and net finance income/(costs) for the years indicated:

| | Year ended December 31, | | | |
|---|---------------------------|-----------|----------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Finance income: | | | | |
| Interest income on time deposits | – | – | 58 | – |
| Interest income on bank deposits | 62 | 479 | 1,248 | 2,443 |
| Subtotal | 62 | 479 | 1,306 | 2,443 |
| Finance costs: | | | | |
| Interest expense on lease liabilities | (222) | (444) | (224) | (305) |
| Interest expense on bank borrowings | – | – | (1,245) | (1,035) |
| Interest expense on loan from a third party <i>(note 1)</i> | – | – | (840) | – |
| Interest expense on financial instrument with redemption rights <i>(note 2)</i> | – | – | (7,939) | – |
| Subtotal | (222) | (444) | (10,248) | (1,340) |
| Finance income/(costs) – net | (160) | 35 | (8,942) | 1,103 |

Notes:

- On May 24, 2021, the Group entered into a six-months loan agreement with an Independent Third Party to obtain a loan with maturity amount of RMB14 million and fixed interest rate of 12% per annum. In August 2021, the loan was fully settled by the Group.
- Represented the imputed interest expenses arising from the financial instrument with redemption rights in connection with our Pre-IPO investments. As the relevant interest expenses have been fully recognized to unwind the financial instrument to its redemption amount of HK\$200.0 million (equivalent to RMB163.5 million as at December 31, 2021) and has been fully reflected as current liability in our balance sheet as at December 31, 2021, no additional interest expense was incurred in relation to the financial instrument in 2022.

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Our finance income was primarily generated from interest income on bank deposits and our finance costs mainly comprised interest expenses arising from our lease liabilities, bank borrowings, loan from a third party and financial instrument with redemption rights. We recorded net finance costs for the year ended December 31, 2019 and 2021 of RMB160,000 and RMB8.9 million, respectively. For the year ended December 31, 2020, we recorded net finance income of RMB35,000.

We recorded a significant increase in net finance costs for the year ended December 31, 2021 as compared to the year ended December 31, 2020, primarily due to: (i) the recognition of the financial instrument with redemption rights of RMB158.2 million in connection with the Pre-IPO Investments, of which interest expenses of RMB7.9 million has been incurred; (ii) the facilitation of staff accommodation and purchase of office building, necessitating the obtainment of a mortgage of RMB25.0 million, of which interest expenses of RMB1.2 million has been incurred; and (iii) interest expenses of RMB0.8 million because of borrowing from a third party.

During the year ended December 31, 2022, we recorded net finance income of RMB1.1 million, which was mainly due to the fact that we did not incur any interest expense on financial instrument with redemption rights during 2022.

Income tax expense

The following table sets forth our current income tax and deferred income tax for the years indicated:

| | Year ended December 31, | | | |
|----------------------------|---------------------------|----------------------|----------------------|----------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Current income tax | | | | |
| – PRC corporate income tax | 12,611 | 43,661 | 15,303 | 23,662 |
| – Hong Kong profits tax | – | – | 7,724 | 5,733 |
| | <u>12,611</u> | <u>43,661</u> | <u>23,027</u> | <u>29,395</u> |
| Deferred income tax | | | | |
| – PRC corporate income tax | (3,490) | (3,238) | (3,475) | (1,158) |
| – Hong Kong profits tax | – | (2,213) | 2,209 | 3 |
| | <u>(3,490)</u> | <u>(5,451)</u> | <u>(1,266)</u> | <u>(1,155)</u> |
| Total | <u><u>9,121</u></u> | <u><u>38,210</u></u> | <u><u>21,761</u></u> | <u><u>28,240</u></u> |

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Our income tax expense primarily consisted of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under the relevant laws and regulations in China and Hong Kong. For the years ended December 31, 2019, 2020 and 2021, our income tax expense was RMB9.1 million, RMB38.2 million and RMB21.8 million, respectively. Our income tax expense increased significantly from 2019 to 2020 primarily due to the growth of our profit before income tax, the amount of non-deductible expenses incurred and unutilized tax loss with no deferred income tax assets recognized. Our income tax expense decreased from RMB38.2 million for 2020 to RMB21.8 million for 2021 mainly because of the decrease in our profit before income tax from RMB113.8 million for 2020 to RMB64.7 million for 2021. Our income tax expense increased from RMB21.8 million for the year ended December 31, 2021 to RMB28.2 million for the year ended December 31, 2022 mainly due to the increase in our profit before income tax. Our effective tax rate for the years ended December 31, 2019, 2020, 2021 and 2022, was 28.6%, 33.6%, 33.7% and 30.3%, respectively. Please refer to Note 10(e) to the Accountant’s Report in Appendix I to this prospectus for details.

Net profit and net profit margin

As a result of the foregoing, we recorded net profit of RMB22.7 million, RMB75.6 million, RMB42.9 million and RMB64.9 million for the years ended December 31, 2019, 2020, 2021 and 2022, respectively, representing net profit margin of 26.2%, 16.6%, 11.7% and 18.9% of the same periods.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2022 compared with the year ended December 31, 2021

Revenue

Our revenue decrease by 5.8% from RMB365.3 million for the year ended December 31, 2021 to RMB344.2 million for the year ended December 31, 2022.

Revenue from new retail business

Our revenue generated from new retail business decreased by 20.3% from RMB301.4 million for the year ended December 31, 2021 to RMB240.1 million for the year ended December 31, 2022. Such decrease was mainly attributable to the decrease in the sale of our health management products from RMB275.3 million for the year ended December 31, 2021 to RMB216.0 million for the year ended December 31, 2022, primarily due to disruptions caused by the control measures imposed by the local government in respect of the Resurgence of COVID-19 pandemic. For further details, please refer to the section headed “Business – Impact of the outbreak of COVID-19 on our business” in this prospectus.

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Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business increased by 62.7% from RMB64.0 million for the year ended December 31, 2021 to RMB104.1 million for the year ended December 31, 2022, primarily attributable to the increase in our revenue from (i) certain IP programs, including two World-Cup related music and variety programs, a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou, and an online music show centered around Mr. Jay Chou; and (ii) our celebrity management business in relation to our cooperation with Mr. Liu Keng-hung through Talent Planet. For details of our cooperation with Mr. Liu Keng-hung, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang” in this prospectus.

Cost of revenue

Our cost of revenue decreased by 12.1% from RMB138.0 million for the year ended December 31, 2021 to RMB121.3 million for the year ended December 31, 2022, mainly due to (i) the decrease in our cost of goods sold by RMB9.9 million as a result of the decrease in the sale of our products under the new retail business; and (ii) the decrease in our cost of event planning and management services by RMB6.8 million because we incurred relatively higher cost in our IP program in 2021 which involved more celebrities.

Gross profit and gross profit margin

Our gross profit decreased by 2.0% from RMB227.4 million for the year ended December 31, 2021 to RMB222.8 million for the year ended December 31, 2022, primarily due to the decrease in the gross profit generated from our new retail business by RMB54.7 million, which was partially offset by the increase in our gross profit from the IP creation and operation business by RMB50.2 million. Our gross profit margin has increased from 62.2% for the year ended December 31, 2021 to 64.7% for the year ended December 31, 2022.

Gross profit and gross profit margin in new retail business

Our gross profit from the new retail business decreased by 26.7% from RMB205.5 million for the year ended December 31, 2021 to RMB150.7 million for the year ended December 31, 2022, primarily due to the decrease in the sale of our health management products and skincare products as a result of the control measures in relation to the Resurgence of the COVID-19 pandemic.

Gross profit margin of our new retail business decreased from 68.2% for the year ended December 31, 2021 to 62.8% for the year ended December 31, 2022, primarily attributable to (i) the decrease in gross profit margin of our health management products from 71.6% in 2021 to 64.9% in 2022 due to the decrease in revenue contribution of *MODONG* coffee which has a relatively higher gross profit margin than other health management products; and (ii) the decrease in the gross profit margin of our skincare products because we gave out certain skincare products as gifts in sale transactions during promotion and marketing activities which resulted in the decrease in the average price of our skincare products.

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Gross profit and gross profit margin in IP creation and operation business

Our gross profit in IP creation and operation business increased by 229.2% from RMB21.9 million for the year ended December 31, 2021 to RMB72.1 million for the year ended December 31, 2022, primarily due to the increase in our revenue from IP content creation and management.

Gross profit margin in IP creation and operation business increased from 34.3% for the year ended December 31, 2021 to 69.3% for the year ended December 31, 2022, which was primarily attributable to (i) the increase in revenue contribution from licensing fee which has a comparatively higher gross profit margin; and (ii) our cooperation with Mr. Liu Keng-hung as our revenue from the relevant transaction was recognized after netting off, among other things, the fees payable to our business partners and the relevant operating costs, thereby resulting in a relatively higher gross profit margin.

Selling and marketing expenses

Our selling and marketing expenses decreased by 22.8% from RMB93.8 million for the year ended December 31, 2021 to RMB72.4 million for the year ended December 31, 2022. Such decrease was mainly attributable to the decrease in (i) our advertising and marketing expenses by RMB17.9 million as our offline marketing activities have been materially affected by control measures imposed by the local government due to the Resurgence of the COVID-19 pandemic; and (ii) commissions by RMB7.8 million due to the decrease in the sale of the Kunshan Tingshe Distributed Products.

General and administrative expenses

Our general and administrative expenses decreased slightly by 1.5% from RMB65.1 million for the year ended December 31, 2021 to RMB64.1 million for the year ended December 31, 2022, primarily due to (i) the decrease in legal and professional fees by RMB3.3 million mainly due to the decrease in our expenses on litigation and related legal services and financial and management reporting advisory services; and (ii) the decrease in listing expenses by RMB5.5 million, which was partially offset by the increase in employee benefit expense by RMB4.4 million primarily attributable to the increase in the number of employees for our celebrity IP management business.

Other income

Our other income increased from RMB234,000 for the year ended December 31, 2021 to RMB21.8 million for the year ended December 31, 2022, mainly due to government grants of RMB16.5 million in relation to (i) financial subsidies from the local government for maintain stability of employees and business during the COVID-19 pandemic; and (ii) a one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone.

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Other gains/(losses), net

For the year ended December 31, 2022, we recorded other loss of RMB9.6 million, as compared to other gains of RMB4.0 million for the year ended December 31, 2021, which was mainly attributable to the net foreign exchange losses of RMB9.9 million primarily arising from the bank balance held by our offshore subsidiaries which was denominated in RMB as a result of the devaluation of RMB against HK dollars during the period.

Operating profit

As a result of the foregoing, our operating profit increase by 25.1% from RMB73.6 million for the year ended December 31, 2021 to RMB92.0 million for the year ended December 31, 2022.

Finance income/(costs), net

For the year ended December 31, 2021, we recorded net finance costs of RMB8.9 million which was mainly attributable to our interest expense on financial instrument with redemption rights of RMB7.9 million. For the year ended December 31, 2022, we recorded net finance income of RMB1.1 million which as mainly due to the fact that we did not incur any interest expenses on financial instrument with redemption rights in 2022.

Income tax expense

Our income tax expense increase by 29.4% from RMB21.8 million for the year ended December 31, 2021 to RMB28.2 million for the year ended December 31, 2022, primarily due to the increase in our profit before income tax. Our effective tax rate decreased from 33.7% for 2021 to 30.3% for 2022, mainly due to increase in the proportion of profit subject to Hong Kong profit tax which has a lower tax rate than the PRC.

Net profit and net profit margin

As a result of the foregoing, our net profit increased by 51.3% from RMB42.9 million for the year ended December 31, 2021 to RMB64.9 million for the year ended December 31, 2022. Our net profit margin increased from 11.7% for the year ended December 31, 2021 to 18.9% for the year ended December 31, 2022.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) increased from RMB69.9 million for the year ended December 31, 2021 to RMB77.2 million for the year ended December 31, 2022 and our adjusted net profit margin (non-HKFRS measure) increased from 19.1% in 2021 to 22.4% in 2022.

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Year ended December 31, 2021 compared with the year ended December 31, 2020

Revenue

Our total revenue decreased by 20.0% from RMB456.9 million for the year ended December 31, 2020 to RMB365.3 million for the year ended December 31, 2021.

Revenue from new retail business

Our revenue generated from new retail business decreased by 17.5% from RMB365.2 million for the year ended December 31, 2020 to RMB301.4 million for the year ended December 31, 2021. Such decrease was primarily because the sales performance of our *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020 and our sales returned back to a normal and sustainable level in 2021, after the cessation of material promotional effect of the airing of *J-Style Trip* season one since July 2020 and we reduced usage of Mr. Jay Chou-related IPs' empowerment throughout 2021, which was partially offset by sales generated from certain health management products that were newly launched in 2021, including *MODONG* herb beverage and *MODONG* probiotics lyophilized powder.

Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business decreased by 30.3% from RMB91.8 million for the year ended December 31, 2020 to RMB64.0 million for the year ended December 31, 2021, primarily attributable to completion of the broadcast of *J-Style Trip* season one in 2020 which was partially offset by services fees received by us in the planning and creation of, amongst others, *You Can Run But You Can't Hide* (既來之則樂之) and performances at a music events organized by a leading music streaming service provider in the PRC and variety shows that were streamed on various online platforms.

Cost of revenue

Our cost of revenue decreased by 38.4% from RMB224.2 million for the year ended December 31, 2020 to RMB138.0 million for the year ended December 31, 2021, primarily attributable to (i) the decrease in our cost of goods sold by RMB15.7 million as a result of the decline in revenue of our new retail business in 2021; and (ii) the fact that we did not incurred any costs of TV program rights in 2021, which was partially offset by the increase in our cost of event planning and management services arising from our planning and creation of a music talk show and performances at music events and variety shows in 2021.

Gross profit and gross profit margin

Our gross profit decreased by 2.3% from RMB232.8 million for the year ended December 31, 2020 to RMB227.4 million for the year ended December 31, 2021, primarily attributable to the decrease in gross profit generated from our new retail business in 2021, which was partially

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offset by the increase in gross profit from our IP creation and operations business. Our gross profit margin increased from 50.9% in 2020 to 62.2% in 2021, primarily due to the increase in the gross profit margin of our IP creation and operations business.

Gross profit and gross profit margin of new retail business

Gross profit of our new retail business decreased by 19.3% from RMB254.5 million in 2020 to RMB205.5 million in 2021, primarily because the sales performance of our *MODONG* coffee was profoundly boosted by the airing of *J-Style Trip* season one in the first half of 2020 and our sales returned back to a normal and sustainable level in 2021. The gross profit margin of our new retail business remained relatively stable at 69.7% and 68.2% in 2020 and 2021, respectively.

Gross profit and gross profit margin of IP creation and operation business

We recorded a gross profit from IP creation and operation business of RMB21.9 million for the year ended December 31, 2021, as compared to a gross loss of RMB21.7 million for the year ended December 31, 2020 resulted from the cancellation of a number of advertisements due to COVID-19 pandemic at the time when *J-Style Trip* season one was aired. We recorded a gross profit margin of 34.3% for the year ended December 31, 2021 mainly due to the improvement in our gross profit margin from IP content creation and management business.

Selling and marketing expenses

Our selling and marketing expenses slightly decreased by 1.2% from RMB94.9 million from 2020 to RMB93.8 million in 2021. Such decrease was primarily resulted from the decrease in our advertising and marketing expenses by RMB6.1 million, attributable to the decrease in expenses in (i) TV sponsorship, advertisement and marketing; and (ii) concert sponsorship fees as we did not create any TV program or provide planning services to concerts in 2021. The decrease in advertising and marketing expenses was partially offset by the increase in our employee benefit expenses of RMB4.2 million.

General and administrative expenses

Our general and administrative expenses increased by 106.0% from RMB31.6 million for the year ended December 31, 2020 to RMB65.1 million for the year ended December 31, 2021. Such increase was mainly attributable to the increase of employee benefit expenses, listing expenses and legal and professional fees by RMB14.9 million, RMB12.6 million and RMB3.7 million, respectively, as compared to the relevant expenses in the year ended December 31, 2020.

Other income

Our other income decreased from RMB1.7 million for the year ended December 31, 2020 to RMB234,000 for the year ended December 31, 2021 primarily due to the forfeited deposit

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recognized in 2020. Please refer to the paragraph headed “– Year ended December 31, 2020 compared with the year ended December 31, 2019 – Other income” below.

Other gains/(losses)

We recorded other gains of RMB4.0 million for the year ended December 31, 2021, as compared to other gains of RMB10.3 million for the year ended December 31, 2020. Our other gains in 2021 was mainly attributable to net foreign exchange gains of RMB3.6 million, and the decrease in other gains in 2021 was mainly due to the fact that we recognized settlement of *J-Style Trip* season one’s investment of RMB9.4 million in 2020.

Operating profit

As a result of the foregoing, our operating profit decreased from RMB113.8 million in 2020 to RMB73.6 million in 2021.

Finance income/(costs), net

We recorded net finance costs of RMB8.9 million for the year ended December 31, 2021, as compared to a net finance income of RMB35,000 for the year ended December 31, 2020. Our net finance costs in 2021 was mainly resulted from (i) interest expense on financial instrument with redemption rights of RMB7.9 million; and (ii) interest expense on bank borrowings of RMB1.2 million.

Income tax expense

Our income tax expense decreased from RMB38.2 million for the year ended December 31, 2020 to RMB21.8 million for the year ended December 31, 2021, primarily attributable to the decrease in our profit before income tax. Our effective tax rate remained relatively stable at 33.6% and 33.7% in the year ended December 31, 2020 and 2021, respectively.

Net profit and net profit margin

As a result of the foregoing, our net profit decreased by 43.3% from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021. Our net profit margin decreased from 16.6% in 2020 to 11.7% in 2021.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) decreased by 13.0% from RMB80.4 million for the year ended December 31, 2020 to RMB69.9 million for the year ended December 31, 2021 and our adjusted net profit margin (non-HKFRS measure) increased from 17.6% in 2020 to 19.1% in 2021.

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Year ended December 31, 2020 compared with the year ended December 31, 2019

Revenue

Our total revenue increased by 427.6% from RMB86.6 million in 2019 to RMB456.9 million in 2020, primarily attributable to the increase of sales of *MODONG* coffee and revenue generated from *J-Style Trip* season one which was aired from March to June 2020.

Revenue from new retail business

Our revenue generated from new retail business significantly increased from RMB80.8 million in 2019 to RMB365.2 million in 2020. The increase in our revenues generated from the new retail business was primarily attributable to the significant increase in the sales of *MODONG* coffee from RMB71.9 million in 2019 to RMB332.9 million in 2020 as a result of the promotion of such products along with the airing of *J-Style Trip* season one from March to June 2020. In addition, the introduction of our new product *Molitone* prebiotic gummy in April 2020 also contributed to the increase of our revenues. It is also noted that with the airing of *J-Style Trip* season one in March 2020 on various viewing platforms such as Zhejiang Satellite TV and Netflix, less operational and marketing resources was needed to be placed into *MODONG* coffee given the sales volume was directly empowered by our proprietary celebrity IPs and IP-oriented reality shows and programs, such as placing advertisement and product placement in TV program. As a result, we were able to divert our resources into the marketing of *LA DEW* Skincare series, and this resulted in an increase in the sales revenue of *LA DEW* Skincare series in 2020 from RMB3.5 million to RMB20.4 million.

Revenue from IP creation and operation business

Our revenue generated from IP creation and operation business increased from RMB5.8 million in 2019 to RMB91.8 million in 2020. The increase in our revenues generated from this sector was primarily attributable to the licensing fee and advertising income of RMB81.6 million generated from the airing of *J-Style Trip* season one from March to June 2020.

Cost of revenue

Our cost of revenue increased by 647.3% from RMB30.0 million in 2019 to RMB224.2 million in 2020, which was primarily attributable to (i) the increase of cost of goods sold of RMB24.2 million for 2019 to RMB102.2 million for 2020 as a result of the increase in sales of *MODONG* coffee; and (ii) the recognition of cost of TV program rights of RMB106.0 million in relation to *J-Style Trip* season one which was aired from March to June 2020.

Gross profit and gross profit margin

Our gross profit increased significantly by 311.3% from RMB56.6 million in 2019 to RMB232.8 million in 2020, primarily due to the increase in the sales of *MODONG* coffee, which was officially launched in nationwide in April 2019. Gross profit margin decreased from 65.4%

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in 2019 to 50.9% in 2020, primarily due to the gross loss incurred for *J-Style Trip* season one which was aired from March to June 2020.

Gross profit and gross profit margin in new retail business

Gross profit in new retail business increased significantly from RMB55.1 million in 2019 to RMB254.5 million in 2020, primarily attributable to (i) the increase in gross profit of health management products from RMB51.1 million in 2019 to RMB242.2 million in 2020; and (ii) the increase in gross profit of RMB1.4 million in 2019 to RMB14.4 million in 2020 from skincare products.

Gross profit margin in new retail business slightly increased from 68.2% for 2019 to 69.7% for 2020, primarily attributable to an increase in the proportion of sales from *MODONG* coffee and *Molitone* prebiotic gummy, which has higher gross profit margin compared with other products, and the increase in gross profit margin on skincare products from 41.3% in 2019 to 70.4% in 2020.

Gross profit and gross profit margin in IP creation and operation business

For IP creation and operation business, we recorded a gross profit of RMB1.5 million in 2019 and incurred a gross loss of RMB21.7 million in 2020, primarily due to a gross loss of RMB24.6 million incurred by *J-Style Trip* season one which aired from March to June 2020, given the cancellation of a number of advertisements in the show as a result of the general negative impact of COVID-19.

Selling and marketing expenses

Our selling and marketing expenses significantly increased by 559.0% from RMB14.4 million in 2019 to RMB94.9 million in 2020, primarily attributable to: (i) the significant increase in advertising and marketing expenses from RMB4.4 million in 2019 to RMB41.5 million in 2020 due to the significant increase in advertisement and promotional activities, primarily due to an amount of RMB9.4 million for sponsoring a TV program on Zhejiang Satellite TV; an amount of RMB7.2 million for giving out trial samples and packaged gifts; an amount of RMB9.1 million for hosting our annual event in Ningbo and conference tour in Chengdu during 2020, and an amount of RMB3.5 million concert sponsorship fees for Ningbo Superstar Performance Mega Night in January 2020, which was in line with our rapid sales growth of *MODONG* coffee; (ii) the increase in commissions expenses from RMB3.3 million in 2019 to RMB38.0 million in 2020, primarily due to the fact that (a) the Service Fee to Li Ting increased from RMB3.3 million in 2019 to RMB18.0 million in 2020 as a result of the increase in sales volume of *MODONG* coffee; (b) the sales incentive scheme with Kunshan Tingshe since 2020 to further motivate Kunshan Tingshe for the sales of *MODONG* coffee, leading to

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Additional Incentive Fee to Kunshan Tingshe of RMB11.7 million⁽¹⁾, and (c) Remaining Balance of the Fixed Mark-up to cover other operating costs of Kunshan Tingshe as expense of RMB8.4 million since the disposal of Kunshan Tingshe in May 2020⁽²⁾; and (iii) the increase in employee benefit expenses from RMB4.0 million in 2019 to RMB10.7 million in 2020 due to an increase in the number of our sales and marketing staff and an increase in the salary level, and to support our expanded distribution network.

General and administrative expenses

Our general and administrative expenses increased by 206.8% from RMB10.3 million in 2019 to RMB31.6 million in 2020, primarily due to: (i) the increase in employee benefit expenses from RMB4.9 million in 2019 to RMB12.8 million in 2020 due to an increase in the number of our administrative staff, senior management headcount and an increase in the salary level to support our expanded distribution network; and (ii) the increase in legal and professional fees from RMB1.2 million in 2019 to RMB5.7 million in 2020 due to the increase in our payment to IP registration agents with an aim to expand our IP portfolio and business growth as well as litigation costs with an ex-marketing agency.

Other income

Our other income increased by 1,020.5% from RMB151,000 in 2019 to RMB1.7 million in 2020, mainly attributable to the exercise of our contractual right to confiscate the investor's deposit after it ceased its investment from the Ningbo Superstar Performance Mega Night, which was planned in January 2020.

Other gains/(losses), net

We recorded net other losses of RMB114,000 in 2019 and net other gains of RMB10.3 million in 2020, respectively. For 2020, the net other gains of RMB10.3 million consisted of (i) the settlement sum of RMB9.4 million in connection with the investment made by an investor, who is an Independent Third Party, in connection with the *J-Style Trip* season one. The investor initially entered into an investment agreement with us in March 2018 to invest RMB21.4 million in *J-Style Trip* season one and the investment fund of RMB21.4 million received from the investor were recorded as other payable as of December 31, 2019. In April 2020, in view of the uncertainty in the timing of the launch of the program due to the outbreak of COVID-19, the

Notes:

1. An amount of RMB7.8 million for the five months ended May 31, 2020 was fully eliminated in our consolidated financial statements. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products".
2. Such expense of RMB9.1 million and RMB9.9 million for 2019 and the five months ended May 31, 2020 was fully eliminated in our consolidated financial statements. For details, please refer to the section headed "Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products".

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investor and the Group agreed to early terminate the agreement with RMB12.0 million as the final settlement. The difference between funding receipt and settlement payment amounting to RMB9.4 million was recognized accordingly for the year ended December 31, 2020; and (ii) the other gains of RMB854,000 consisted of RMB829,000 gains on the disposal of subsidiaries.

Operating profit

As a result of the foregoing, our operating profit increased significantly from RMB32.0 million in 2019 to RMB113.8 million in 2020.

Finance income/(costs), net

We recorded net finance costs which amounted to RMB160,000 in 2019, and we recorded net finance income of RMB35,000 in 2020.

Income tax expense

Our income tax expense increased significantly from RMB9.1 million in 2019 to RMB38.2 million in 2020 due to the growth of our profit before income tax. Our effective tax rate increased from 28.6% in 2019 to 33.6% in 2020, primarily due to the increase in expenses not deductible for taxation purpose and tax losses not recognized for deferred income tax.

Net profit and net profit margin

As a result of the foregoing, our net profit increased from RMB22.7 million in 2019 to RMB75.6 million in 2020, and our net profit margin decrease from 26.2% in 2019 to 16.6% in 2020.

Adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure)

Our adjusted net profit (non-HKFRS measure) significantly increased from RMB22.7 million for the year ended December 31, 2019 to RMB80.4 million for the year ended December 31, 2020 and our adjusted net profit margin (non-HKFRS measure) decreased from 26.2% in 2019 to 17.6% in 2020.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets forth the selected information from our consolidated statement of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus.

| | As of December 31, | | | |
|-------------------------------------|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 1,314 | 3,247 | 58,975 | 69,086 |
| Right-of-use assets | 2,469 | 2,786 | 3,893 | 1,878 |
| Intangible assets | 10 | 80 | 625 | 3,878 |
| Deferred income tax assets | 3,650 | 3,965 | 3,031 | 4,186 |
| Trade and other receivables | – | 2,421 | – | – |
| Other non-current assets | 1,891 | 54,511 | 50,416 | 59,638 |
| | 9,334 | 67,010 | 116,940 | 138,666 |
| Current assets | | | | |
| Inventories | 15,510 | 24,107 | 24,490 | 28,828 |
| TV program rights | 77,247 | – | 13,594 | 89,602 |
| Trade and other receivables | 39,617 | 71,760 | 52,538 | 62,066 |
| Prepayment and other current assets | 16,601 | 31,278 | 53,677 | 53,070 |
| Restricted bank deposits | – | 11,008 | – | – |
| Cash and cash equivalents | 29,298 | 120,962 | 211,873 | 182,633 |
| | 178,273 | 259,115 | 356,172 | 416,199 |
| Total assets | 187,607 | 326,125 | 473,112 | 554,865 |

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| | As of December 31, | | | |
|--|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Current liabilities | | | | |
| Trade and other payables | 130,975 | 79,314 | 45,576 | 69,010 |
| Contract liabilities | 12,850 | 64,533 | 59,308 | 31,385 |
| Current income tax liabilities | 14,932 | 42,076 | 15,153 | 24,575 |
| Lease liabilities | 1,013 | 1,573 | 3,281 | 1,872 |
| Financial instrument with redemption rights | – | – | 163,520 | 178,654 |
| Borrowings | – | – | 5,000 | 5,000 |
| Total current liabilities | 159,770 | 187,496 | 291,838 | 310,496 |
| Non-current liabilities | | | | |
| Lease liabilities | 1,484 | 1,409 | 1,035 | 220 |
| Contract liabilities | 686 | – | 45 | 38 |
| Deferred income tax liabilities | – | 2,200 | – | – |
| Borrowings | – | – | 15,000 | 10,000 |
| Total non-current liabilities | 2,170 | 3,609 | 16,080 | 10,258 |
| Total liabilities | 161,940 | 191,105 | 307,918 | 320,754 |
| Equity attributable to owners of the Company | 26,529 | 138,309 | 169,221 | 233,542 |
| Non-controlling interests | (862) | (3,289) | (4,027) | 569 |
| Total equity | 25,667 | 135,020 | 165,194 | 234,111 |
| Total equity and liabilities | 187,607 | 326,125 | 473,112 | 554,865 |

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Property, plant and equipment

Our property, plant and equipment mainly comprised building, furniture, fixture and equipment and leasehold improvements. As at December 31, 2019, 2020, 2021 and 2022, the carrying amounts of our property, plant and equipment amounted to RMB1.3 million, RMB3.2 million, RMB59.0 million and RMB69.1 million, respectively.

The following table sets forth the carrying amounts of our property, plant and equipment as at the dates indicated:

| | As at December 31, | | | |
|----------------------------------|---------------------------|--------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Computers | 245 | 506 | 450 | 759 |
| Furniture, fixture and equipment | 1,069 | 1,235 | 2,115 | 2,948 |
| Leasehold improvements | – | 1,506 | 1,375 | 10,330 |
| Land and buildings | – | – | 55,035 | 55,049 |
| Total | 1,314 | 3,247 | 58,975 | 69,086 |

Our property, plant and equipment increased from RMB1.3 million as of December 31, 2019 to RMB3.2 million as of December 31, 2020, primarily due to additions of leasehold improvements of RMB1.8 million resulting from the expansion of our office premises and warehouses.

Our property, plant and equipment further increased from RMB3.2 million as of December 31, 2020 to RMB59.0 million as of December 31, 2021. The increase was primarily resulted from the additions of building of RMB55.0 million in connection with completion and delivery of our staff quarter in 2021. For detailed of the properties acquired by us, please refer to the section headed “Business – Properties – Owned properties” in this prospectus.

Our property, plant and equipment further increased from RMB59.0 million as of December 31, 2021 to RMB69.1 million as of December 31, 2022. The increase was primarily resulted from the additions of leasehold improvement in relation to our staff quarter.

Right-of-use assets

During the Track Record Period, our right-of-use assets were mainly arising from the leases of our office premises. As of December 31, 2019, 2020, 2021 and 2022, our right-of-use assets were RMB2.5 million, RMB2.8 million, RMB3.9 million and RMB1.9 million, respectively. The increase in our right-of-use assets during the three years ended December 31, 2021 were primarily attributable to the entering of leases in respect of our offices in Beijing, Shanghai and Kunshan and our warehouses in view of the continuous expansion of our business scale. We

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recorded a decrease in right-of-use assets as of December 31, 2022 mainly attributable to depreciation of our right-of-use assets and early termination of one of our leases.

Inventories

Our inventories comprised of raw and packaging materials and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

| | As of December 31, | | | |
|--------------------------------|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Raw and packaging materials | 682 | 3,967 | 6,137 | 5,140 |
| Finished goods | 14,828 | 23,169 | 27,571 | 23,688 |
| | 15,510 | 27,136 | 33,708 | 28,828 |
| Less: provision for impairment | – | (3,029) | (9,218) | – |
| Total | 15,510 | 24,107 | 24,490 | 28,828 |

Our inventories increased from RMB15.5 million as of December 31, 2019 to RMB24.1 million as of December 31, 2020, primarily due to (i) the new products such as *Chaxiaojie* and *Dr.mg* in preparation of launch; and (ii) raw materials required for production of skincare products.

Our inventories slightly increased from RMB24.1 million as of December 31, 2020 to RMB24.5 million as of December 31, 2021, mainly due to (i) the increase in the inventories of raw materials and finished goods under our skincare products; and (ii) the launch of various new health management products in the fourth quarter in 2021, including, the *MODONG* probiotics lyophilized powder and *MODONG* herb beverage, which were partially offset by the increase in provision for impairment over our inventories as of December 31, 2021.

We recorded an increase in inventories from RMB24.5 million as of December 31, 2021 to RMB28.8 million as of December 31, 2022 mainly due to increase in both raw materials and finished goods (before write-off of inventories RMB15.9 million) to cater for the expected demand for our products in early 2023.

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The following table sets forth an aging analysis of our inventories as of the dates indicated:

| | As of December 31, | | | |
|--|---------------------------|--------|--------|--------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Within 30 days | 4,272 | 5,682 | 8,895 | 5,921 |
| 31–60 days | 631 | 2,482 | 1,139 | 1,448 |
| 61–180 days | 1,516 | 7,981 | 3,260 | 10,833 |
| 181–365 days | 5,182 | 325 | 5,414 | 3,480 |
| Over 365 days | 3,909 | 7,637 | 5,782 | 7,146 |
| Total (after the provision for impairment) | 15,510 | 24,107 | 24,490 | 28,828 |

Despite the increase in our inventory balance which aged over 180 days during the Track Record Period, we are of the view that sufficient provisions have been made in respect of our inventory balance. For further details, please refer to the below discussion on the turnover days and subsequent settlement of our inventories.

We recorded provision of impairment for inventories of RMB3.0 million and RMB9.2 million as of December 31, 2020, and 2021, respectively. There was a provision of impairment for inventories as of December 31, 2020 and 2021 primarily due to the impairment made for slow-moving products which were our non-core products. During 2022, we made provision for impairment of inventories for certain non-core products, including Maji Doggie and beauty treatment equipment and certain raw materials and finished goods of our health management and skincare products in the amount of RMB6.7 million. As at December 31, 2022, we did not record any provision for impairment for inventories as we had fully written-off the provision for impairment made in current and previous financial years on the basis that as we do not intend to conduct further sale of the relevant products. For details, please refer to the paragraph headed “– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories” in this section.

The following table sets forth our inventory turnover days for the Track Record Period:

| | Year ended December 31, | | | |
|--|-------------------------|------|------|------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(days)</i> | | | |
| Inventory turnover days ⁽¹⁾ | 180 | 76 | 128 | 149 |

Note:

- (1) Inventory turnover days were calculated by dividing the average of the opening and closing inventories balance (before provision) by total cost of goods sold for the relevant year and multiplying by 365 days.

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Our inventory turnover days was 180 days, 76 days, 128 days and 149 days for the year ended December 31, 2019, 2020, 2021 and 2022, respectively. The inventory turnover days decreased from 180 days for 2019 to 76 days for 2020, primarily due to the rapid growth of *MODONG* coffee which were outsourced to Hengmei Group for production with no raw material held by us and relatively low level of finished goods of *MODONG* coffee were stored at our warehouse given we could generally estimate the demand for *MODONG* coffee from distributors based on the prepayments made by distributors. Inventory turnover day further increased from 76 days for 2020 to 128 days for 2021, mainly due to the increase in inventories (before provision) from RMB27.1 million as of December 31, 2020 to RMB33.7 million as of December 31, 2021 as a result of (i) the increase in our inventories balance of skincare products and health management products that were newly launched in 2021; and (ii) increase in the average inventories balance of certain slow-moving products which were our non-core products. Our inventory turnover days further increased to 149 days for the year ended December 31, 2022 mainly due to the decrease in cost of goods sold as a result of the decline in revenue of our new retail business at a relatively larger degree than the decrease in our inventory balance. For details, please refer to the paragraph headed “– Description of major components of our results of operations – Cost of revenue – Provision for impairment of inventories” in this section above.”

As of May 31, 2023, RMB23.8 million, or 82.4%, of our inventories as of December 31, 2022 had been subsequently utilized.

Despite the relatively low inventory utilization rate in respect of our inventory balance as of December 31, 2022, our Directors are of the view that there is no material recoverability issue on the basis that (i) most of the types of our inventory of raw materials and packaging materials were consumed from time to time during 2022 and up to the Latest Practicable Date; (ii) we substantially sold our finished goods at prices higher than their costs during 2022 and up to the Latest Practicable Date; (iii) our contract liabilities for the sale of goods, mainly consist of prepayments made by our distributors for purchase of our products, amounted to RMB24.4 million as of December 31, 2022; (iv) we expect that a substantial portion of our inventories as at December 31, 2022 will be consumed in 2023 and 2024, particularly following the airing of our upcoming IP programs such as *J-Style Trip* season two and *Yue Lai Yue Kuai Le* (樂來樂快樂), which would empower our new retail business; and (v) we would arrange more marketing and promotion activities to boost up the sales of long aged inventories. We will closely monitor the utilization of our inventory from time to time to ensure that sufficient impairment has been provided for our inventories and/or adjust our plans for procurement of raw materials and finished goods accordingly.

TV program rights

We recorded TV program rights of RMB77.2 million, nil, RMB13.6 million and RMB89.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our TV program rights as of December 31, 2019 were arising from *J-Style Trip* season one which were fully amortized and recognized in our cost of revenue in during the period from March to June 2020 when *J-Style Trip* season one was aired. As of December 31, 2021 and 2022, we recorded TV program rights

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in the amount of RMB13.6 million and RMB89.6 million which was arising from *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two. As at the Latest Practicable Date, as both *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two were under production, our TV program rights as at December 31, 2022 had not been recognized in our cost of revenue. It is expected that *J-Style Trip* season two and *Yue Lai Yue Kuai Le* (樂來樂快樂) will be aired in the second half of 2023, and the relevant TV program rights would be recognized in our cost of revenue accordingly.

Our Directors assessed the net realizable amount of the TV program rights as at each balance sheet date in order to determine whether any impairment provision is required to be made. The net realizable amount is estimated by reference to the advertising and other related income to be generated from the broadcast of the TV program based on confirmed order and/or letter of intent received by our Group less cost of completion of the TV program. Based on our Directors' best estimate, as at each balance sheet date, the TV program rights are profit generating with income exceeding related production cost, indicating that the net realizable amount should exceed the carrying value of the relevant rights. Accordingly, no provision for impairment has been made.

Trade and other receivables

Trade receivables

Trade receivables are amounts due from customers for products sold or services performed by us in our ordinary course of business. The following table sets forth the details of our trade receivables as of the dates indicated:

| | As of December 31, | | | |
|--------------------------------|---------------------------|--------|--------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Trade receivables | | | | |
| Third parties | 254 | 12,388 | 26,439 | 39,166 |
| Related parties | – | 28,708 | 38 | 38 |
| | 254 | 41,096 | 26,477 | 39,204 |
| Less: provision for impairment | (2) | (932) | (400) | (1,134) |
| | 252 | 40,164 | 26,077 | 38,070 |
| Total | 252 | 40,164 | 26,077 | 38,070 |

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Our total trade receivables after provision for impairment (including both current and non-current portion) was RMB252,000, RMB40.2 million, RMB26.1 million and RMB38.1 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our trade receivables as of December 31, 2019 and 2020 mainly arose from our IP creation and operation business as our customers of the new retail business were generally required to make advances to us for the products purchased by them. In 2021, we further expanded our product offerings and distribution channels of our products and we granted credit periods to some of the distributors under the general distribution model. For details of the terms the distribution agreements entered into between us and our distributors, please refer to the section headed “Business – Distribution network – General distribution model” in this prospectus. Accordingly, we also recorded trade receivables balances arising from our new retail business as of December 31, 2021 and 2022.

Our trade receivables as of December 31, 2019 consisted primarily of a licensing fee due from a third party for the use of our proprietary celebrity IPs on souvenir by bank. Our trade receivables increased from RMB252,000 as of December 31, 2019 to RMB40.2 million as of December 31, 2020. This is primarily attributable to the amount payable to us from Netflix in connection with the broadcasting of *J-Style Trip* season one, and also from Beijing Master in connection with the airing of *J-Style Trip* season one on Zhejiang Satellite TV in March 2020. For further details regarding our license agreement with Netflix and Zhejiang Satellite TV, please refer to the section headed “Business – Our business – IP Creation and Operation – IP content creation and management – Media content creation” in this prospectus.

Our trade receivables decreased from RMB40.2 million as of December 31, 2020 to RMB26.1 million as of December 31, 2021 primarily due to the substantial settlement of the trade receivable from Beijing Master in the amount of RMB27.4 million and Netflix in the amount of RMB10.2 million during 2021, which was partially offset by the amounts receivable from Customer D, being the distributor of, inter alia, our skincare products and products under *Dr. INYOU* brand under the general distribution model, in the amount of RMB13.5 million. For the years ended December 31, 2021 and 2022, our revenue attributable to Customer D amounted to RMB12.0 million and RMB4.5 million, respectively, and the gross profit margin attributable thereto was 64.1% and 50.7%, respectively.

Our trade receivables increased from RMB26.1 million as of December 31, 2021 to RMB38.1 million as of December 31, 2022, which was mainly attributable to our IP programs broadcasted in the fourth quarter of 2022, including (i) amounts receivable from Customer H Group of RMB14.2 million in relation to two World-Cup related music and variety programs; and (ii) amounts receivable from Customer C Group of RMB9.0 million in relation to an online music show centered around Mr. Jay Chou and a promotional video for *J-Style Trip* season two and the new music album of Mr. Jay Chou.

As of December 31, 2019, 2020, 2021 and 2022, we had made provision for impairment of trade receivables (including both current and non-current portion) of RMB2,000, RMB932,000 and RMB400,000 and RMB1.1 million, respectively.

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The following table sets forth an aging analysis of our trade receivables, based on revenue recognition date, as of the dates indicated:

| | As of December 31, | | | |
|--|---------------------------|--------|--------|--------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Within 30 days | – | 26,115 | 23,909 | 27,802 |
| 31–90 days | – | 210 | 1,127 | 10,161 |
| 91–120 days | 254 | 3,301 | 179 | 768 |
| 121–365 days | – | 11,470 | 1 | 473 |
| Over 365 days | – | – | 1,261 | – |
| Total (before the provision for impairment) | 254 | 41,096 | 26,477 | 39,204 |

The typical credit period granted to our debtors is generally ranging from five days to two years.

During the Track Record Period, majority of our trade receivables balance were aged within 30 days. As of December 31, 2020 and 2021, we had an outstanding trade receivables balance of RMB11.5 million and RMB1.3 million, which were aged 121–365 days and over 365 days, respectively. The relevant amount represented the licensing fees receivable from Netflix for the arising of *J-Style Trip* season one, which was under a two-year scheduled payment term.

The following table sets forth our trade receivables turnover days during the Track Record Period:

| | Year ended December 31, | | | |
|--|-------------------------|------------------|------|------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(days)</i> | | | |
| Average trade receivables turnover days | | | | |
| – Overall ⁽¹⁾ | 28 | 17 | 34 | 35 |
| – New Retail ⁽²⁾ | – | 0 ⁽⁴⁾ | 11 | 16 |
| – IP creation and operation ⁽³⁾ | 412 | 81 | 142 | 79 |

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Notes:

- (1) Overall trade receivables turnover days equals the average of the opening and closing trade receivables (before provision) divided by total revenue for the relevant year and multiplied by 365 days.
- (2) Trade receivables turnover days for new retail business equals the average of the opening and closing trade receivables (before provision) relating to new retail business divided by total revenue of new retail business for the relevant year and multiplied by 365 days.
- (3) Trade receivables turnover days for IP creation and operation business equals the average of the opening and closing trade receivables (before provision) relating to IP creation and operation business divided by total revenue of IP creation and operation business for the relevant year and multiplied by 365 days.
- (4) Figure represent insignificant amount.

Overall trade receivables turnover days

Our overall trade receivables turnover days decreased from 28 days for 2019 to 17 days for 2020, primarily due to the increase in (i) revenue from *MODONG* coffee which required our distributors to make prepayments in advance; and (ii) revenue for IP creation and operation business as a result of the airing of *J-Style Trip* season one from March to June 2020. The overall trade receivables turnover days increased from 17 days for the year ended December 31, 2020 to 34 days for the year ended December 31, 2021, primarily due to (i) the increase in receivable from a distributor of our new retail business with the balance of RMB13.5 million; and (ii) a longer settlement period granted to Netflix where we have agreed for two years scheduled payment term. Our overall trade receivables turnover days remained stable at 35 days for the year ended December 31, 2022.

Trade receivables turnover days for new retail business

Our trade receivables turnover days for new retail business were nil and 0⁽¹⁾ for the years ended December 31, 2019 and 2020, respectively, as we normally require our distributors to make prepayments in advance. Our trade receivables turnover days for new retail business increased to 11 days for 2021 primarily due to the increase in receivable from a distributor of our new retail business with the balance of RMB13.5 million. Our trade receivables turnover days for new retail business further increased to 16 days for 2022, primarily due to the decrease in revenue from new retail business as a result of the Resurgence where our business and operations had been negatively affected by the disruptions to the operation of our logistics and delivery service providers which had materially affected the delivery of our products to the distributors, sub-distributors or end consumers, which was partially offset by the impact of the significant decrease in the balance due from Customer D from RMB13.5 million as of December 31, 2021 to RMB1.0 million as of December 31, 2022.

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Trade receivables turnover days for IP creation and operation business

Our trade receivables turnover days for IP creation and operation business decreased from 412 days for 2019 to 81 days for 2020, primarily due to the airing of *J-Style Trip* season one from March to June 2020 and settlement of the trade receivables relating to *The Invincible* in prior year. Our trade receivables turnover days for IP creation and operation business further increased from 81 days for 2020 to 142 days 2021, primarily due to a longer settlement period granted to Netflix where we have agreed for two years scheduled payment term. Our trade receivables turnover days for IP creation and operation business decreased from 142 days for 2021 to 79 days for 2022, primarily due to (i) the increase in our revenue from IP creation and operation business, particularly our revenue from our cooperation with Mr. Liu Keng-hung which had a relatively shorter credit period as compared to our other IP creation and operation projects; and (ii) the settlement of the balance due from Netflix where we have agreed for two years scheduled payment term.

As of May 31, 2023, RMB22.3 million, or 56.9%, of our trade receivables (before provision for impairment) as of December 31, 2022 had been subsequently settled.

Considering (i) the subsequent settlement of our trade receivables balance as of December 31, 2022 up to May 31, 2023; (ii) the fact that a substantial portion of our trade receivables balance as of December 31, 2022 was aged within 30 days based on revenue recognition date; and (iii) our trade receivable as at December 31, 2022 was mainly attributable to our customers with whom we have good business relationship or which are sizable corporation with good reputation and financial position. In particular, our trade receivable of RMB15.9 million and RMB9.0 million was attributable to Customer H Group and Customer C Group, respectively, both of which are companies with their holding companies listed on the Main Board of the Stock Exchange and hence the expected credit losses of these companies were considered to be relatively low. Thus, our Directors consider that there is no material risk of the recoverability of our trade receivables and the impairment provided for our trade receivables balance was sufficient.

Bill receivables

As of December 31, 2020, we recorded bill receivables of RMB2.0 million which was received from Beijing Master. As of December 31, 2022, we recorded bill receivables of RMB1.0 million received from one of our customers for settlement of amounts due to our Group.

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Other receivables

| | As of December 31, | | | |
|--|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Amounts due from related parties | 29,219 | 4,087 | – | 3 |
| Deposits | 6,230 | 463 | 895 | 12,443 |
| Staff advances | 553 | 1,020 | 50 | 200 |
| Amounts due from a third party | – | 26,758 | 25,702 | – |
| Other receivables in respect of celebrity IP management business | – | – | – | 10,145 |
| Loan to third parties | 3,135 | 3,035 | – | – |
| Others | 314 | 262 | – | 402 |
| | 39,451 | 35,625 | 26,647 | 23,193 |
| Less: provision for impairment of other receivables | (86) | (3,608) | (186) | (197) |
| Total | 39,365 | 32,017 | 26,461 | 22,996 |

Our other receivables (after provision for impairment) was RMB39.4 million, RMB32.0 million, RMB26.5 million and RMB23.0 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

Amounts due from related parties

For details about the receivables due from related parties, please refer to the paragraph headed “– Related party transactions and balances” in this section.

Deposits

Our deposits was RMB6.2 million, RMB463,000, RMB895,000 and RMB12.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Our deposits as of December 31, 2019, 2020 and 2021 mainly represented potential co-investment deposits, rental deposit, sundries deposit, equipment deposit or utilities deposit with different services provided. We recorded deposits of RMB6.2 million as of December 31, 2019 which was primarily attributable to two lump sum of deposits of an equal amount of RMB3.0 million being placed into two companies as deposits for the potential co-investments. Such investment was subsequently terminated and the deposits were returned to us in 2021.

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Our deposits as of December 31, 2022 mainly represented our deposits paid to the Marketing Agency in relation to a title sponsorship in *Yue Lai Yue Kuai Le* (樂來樂快樂), which is one of our upcoming IP programs currently planning to be jointly presented by our Group and a leading short video platform in the PRC (the “**Online Platform**”). We shall be responsible for the planning of and soliciting sponsorship for such program. Accordingly, in May 2022, we entered into a cooperation agreement with the agent of an online entertainment platform which is owned by a state-owned telecommunication service provider (the “**Investor**”) for its investment in *Yue Lai Yue Kuai Le* (樂來樂快樂), including title sponsorship in the amount of RMB28.0 million and licensing fees of RMB14.5 million, which shall be payable to our Group by stages upon the broadcasting of such program. In order to expedite the cooperation with the Online Platform, we entered into an agreement with the Marketing Agency, being a designated advertising agent of the Online Platform, pursuant to which our Group have agreed to pay a total of RMB28.0 million for title sponsorship of *Yue Lai Yue Kuai Le* (樂來樂快樂) (out of which RMB11.2 million has been paid as deposits as of December 31, 2022) to the Marketing Agency. As at the Latest Practicable Date, we were in the course of producing *Yue Lai Yue Kuai Le* (樂來樂快樂), which is expected to launch in the second half of 2023, after which we will receive the investment amounts from the Investor (including its title sponsorship of RMB28.0 million from which we can recover our payment of RMB11.2 million deposit).

Amount due from a third party

As of December 31, 2020 and 2021, we recorded amounts due from a third party in the amounts of RMB26.8 million and RMB25.7 million, respectively. The balance represented the prepayments for the sale of the Kunshan Tingshe Distributed Products from distributors received by Kunshan Tingshe (through the Jointly-controlled Accounts) on behalf of us as our Distribution Agent, partially offset by a security deposit of RMB50.0 million paid to us from Kunshan Tingshe, which is yet to transfer to us from the Jointly-controlled Accounts to our account. For more details of our settlement arrangement with Kunshan Tingshe and the security deposit, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors” in this prospectus.

Our amounts due from a third party decreased significantly from RMB25.7 million as of December 31, 2021 to nil as of December 31, 2022 mainly because we agreed with Kunshan Tingshe to accelerate the settlement arrangement in respect of the amounts in the Jointly-controlled Accounts in or around September 2022. In particular, we agreed with Kunshan Tingshe that, commencing from November 2022, Kunshan Tingshe shall transfer the amount payable to us in respect of the prepayment received from the distributors on the working day immediately following the date of such prepayment and Kunshan Tingshe would no longer be required to maintain with us the security deposit of RMB50.0 million. For details, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors” in this prospectus.

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Other receivables in respect of celebrity IP management business

We recorded other receivables in respect of celebrity IP management business of RMB10.1 million as at December 31, 2022 in relation to our cooperation with Mr. Liu Keng-hung and the MCN Company. Such amount represented the amount receivable by our Group from brand owners or the MCN Company (as the case may be) to which Mr. Liu Keng-hung, W&V and/or the MCN Company are entitled to under the cooperation agreements entered into between our Group (through Talent Planet) with Mr. Liu Keng-hung and W&V. Please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung” for further details on the cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V.

Loan to third parties

The balance mainly represented a loan to a third party of RMB3.1 million, RMB3.0 million, nil and nil as of December 31, 2019, 2020, 2021 and 2022 respectively. Such balance remained stable at RMB3.1 million and RMB3.0 million as of December 31, 2019 and 2020 respectively, and further decreased to nil as of December 31, 2021 as we fully wrote off the balance during 2021.

According to the General Lending Provisions (《貸款通則》) promulgated by the People’s Bank of China (“PBoC”) in 1996 (the “**General Lending Provisions**”), financing arrangements or money lending between non-financial institutions are prohibited. The PBoC may impose on the non-compliant lender a fine equivalent to one to five times of the income generated (being interests charged) from loan advancing activities between the enterprises. Notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》), last amended in December 2020 (the “**Private Lending Provisions**”), in which the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as, among other, the enterprises entered into a loan agreement and the interest rates charged do not exceed four times of the quoted interest rate within one year of the loan agreement. In addition, the Private Lending Provisions and Civil Code of the PRC (《中華人民共和國民法典》) set out situations that allow the People’s Court to void a loan agreement. As confirmed by our Directors, the above-mentioned loan to third parties did not generate any interest income.

As advised by our PRC Legal Advisors and our Directors, given the loan did not incur any interest income and the loan arrangement will be generally recognized by the court of the PRC, the risk of us being penalized by the PBoC is remote.

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Provision for impairment of other receivables

Our provision for impairment of other receivables was RMB86,000, RMB3.6 million, RMB186,000 and RMB197,000 as of December 31, 2019, 2020, 2021 and 2022 respectively. As of December 31, 2020, we made a provision of RMB3.0 million for a loan to a third party which was our ex-marketing agency. Such balance was written off during the year ended December 31, 2021 due to the entering of a settlement agreement between us and such marketing agency in May 2021, pursuant to which, it was agreed that, inter alia, we shall release our ex-marketing agency from its obligation to repay the loan to us and our ex-marketing agency shall return our inventories that was previously withheld by it at its warehouse.

Other non-current assets

The following table sets forth a breakdown of our other non-current assets as of the dates indicated:

| | As of December 31, | | | |
|--|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Prepayments for purchase of staff quarters and office premises | – | 53,468 | 50,026 | 50,421 |
| Prepayments for leasehold improvement | – | – | – | 1,044 |
| Prepayment to a related party | – | – | – | 1,376 |
| Prepayment for software development | – | – | – | 4,800 |
| Others | 1,891 | 1,043 | 390 | 1,997 |
| Total | 1,891 | 54,511 | 50,416 | 59,638 |

We had other non-current assets in the amount of RMB1.9 million, RMB54.5 million, RMB50.4 million and RMB59.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively. The significant increase in our other non-current assets from RMB1.9 million as of December 31, 2019 to RMB54.5 million as of December 31, 2020 was primarily due to the prepayment of RMB53.5 million to Kunshan Jiabao for the purchase of staff quarters. Our other non-current assets decreased from RMB54.5 million as of December 31, 2020 to RMB50.4 million as of December 31, 2021 mainly due to the transfer of the prepayments for the purchase of staff quarter as property, plant and equipment upon the completion and delivery of such staff quarter in 2021, which was partially offset by our prepayment to Kunshan Jiabao for the purchase of office premises pursuant to an agreement entered into in February 2021. For details of the properties acquired from Kunshan Jiabao, please refer to the section headed “Business – Properties – Owned properties”. For details about the purchase of properties from Kunshan Jiabao, please refer to the paragraph headed “– Related party transactions and balances” in this section. Our other non-current assets increased to RMB59.6 million as of December 31, 2022 mainly attributable to (i) our prepayment for leasehold improvement for our staff quarter which

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was newly established in 2021; (ii) prepayment of RMB4.8 million to an Independent Third Party primarily for the development of an app for video creation and editing, which is expected to be used for our online marketing activities; and (iii) prepayment to a related party of RMB1.4 million, which represent the non-current portion of the prepayment for the monthly service fees payable to W&V for the artiste management services in respect of Mr. Liu Keng-hung. For details, please refer to the paragraph headed “Related party transactions and balances” in this section.

Prepayments and other current assets

Prepayments and other current assets primarily comprised of (i) prepayments to related parties; (ii) prepayments to suppliers and services providers; (iii) value-added tax recoverable; and (iv) prepayments for Listing expenses. The following table sets forth a breakdown of our prepayments and other current assets as of the dates indicated:

| | As of December 31, | | | |
|---|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Prepayments to related parties | 838 | 905 | – | 1,501 |
| Prepayments to suppliers and services providers | 15,012 | 28,997 | 47,444 | 40,216 |
| Value-added tax recoverable | 751 | 931 | 1,154 | 3,093 |
| Prepayments for Listing expenses | – | 445 | 5,079 | 8,260 |
| Total | 16,601 | 31,278 | 53,677 | 53,070 |

Prepayments to related parties

For details about the prepayment to related parties, please refer to the paragraph headed “– Related party transactions and balances” in this section.

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Prepayments to suppliers and service providers

As of December 31, 2019, 2020, 2021 and 2022, the balance of our prepayments to suppliers and service providers amounted to RMB15.0 million, RMB29.0 million, RMB47.4 million and RMB40.2 million, respectively. Set forth below is a breakdown of our prepayments to suppliers and service providers during the Track Record Period:

| | As of December 31, | | | |
|---|---------------------------|--------|--------|--------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| <i>Prepayments for:</i> | | | | |
| Production of products ⁽¹⁾ | 8,865 | 23,391 | 15,999 | 15,949 |
| Advertising and promotion services ⁽²⁾ | 1,395 | 144 | 25,084 | 15,320 |
| Production of events and IP programs | 1,951 | 2,790 | 2,710 | 3,244 |
| Other ⁽³⁾ | 2,801 | 2,672 | 3,651 | 5,703 |
| Total | 15,012 | 28,997 | 47,444 | 40,216 |

Notes:

- (1) Represented prepayments to our suppliers for the production of products for our new retail business.
- (2) Represented prepayments to advertising agencies and other service providers of advertising and promotion services for our products and IP programs.
- (3) Mainly included prepayments for IT services consultancy and equipment, logistic and other services.

The prepayment balance as at December 31, 2019 mainly consisted of our prepayment to our suppliers in connection with Ningbo Superstar Performance Mega Night which was held in January 2020. Our prepayments to suppliers and services providers increased from RMB15.0 million as of December 31, 2019 to RMB29.0 million as of December 31, 2020. The outstanding balance as of December 31, 2020 mainly consisted of our prepayment for the production of *MODONG* coffee, and the production of screenplay for our events, respectively.

Our prepayments to suppliers and service providers further increased from RMB29.0 million as of December 31, 2020 to RMB47.4 million as of December 31, 2021. Our prepayment to supplier and services providers as of December 31, 2021 mainly consisted of our prepayment to (i) Hengmei Group for the production of *MODONG* coffee in the amount of RMB10.4 million; and (ii) the Marketing Agency for placement of advertisements in the amount of RMB24.7 million. Pursuant to the agreement entered into with the Marketing Agency, the parties agreed that, among other things, (a) we are entitled to place the relevant advertisements based on a fixed fees, which shall not be affected by future price adjustments; and (b) we shall be entitled to a refund of our prepayment if we were unable to utilize the prepayments during the term of the agreement. In addition, we have established good business relation with the

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Marketing Agency and have successfully requested for refund in respect of our prepayments due to delays in the production of our IP program. Accordingly, our Directors agreed to make a relatively large sum of prepayment to the Marketing Agency for the placement of advertisements and consider that there is no material recoverability issue in respect of our prepayment to the Marketing Agency despite our long-aged prepayments to the Marketing Agency as of December 31, 2022. Please refer to the paragraph headed “– Description of major components of our results of operations – Selling and marketing expenses – Advertising and marketing expenses – Our cooperation with the Marketing Agency” in this section for further details of our cooperation with the Marketing Agency.

Our prepayments to suppliers and service providers decreased to RMB40.2 million as of December 31, 2022 mainly attributable to the decrease in our prepayments for advertising and promotion services from RMB25.1 million as of December 31, 2021 to RMB15.3 million as of December 31, 2022 due to the utilization and/or refund of part of our prepayment to the Marketing Agency made in 2021.

The following table sets out an aging analysis of our prepayments to suppliers and service providers as at the dates indicated:

| | As of December 31, | | | |
|---------------|---------------------------|----------------------|-----------------------|--------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| 0–30 days | 5,687 | 16,799 | 7,816 | 12,600 |
| 31–90 days | 539 | 7,719 | 2,886 | 2,693 |
| 91–120 days | 454 | 913 | 30,261 ⁽³⁾ | 3,725 |
| 121–365 days | 250 | 3,431 ⁽²⁾ | 3,456 | 1,855 |
| Over 365 days | 8,082 ⁽¹⁾ | 135 | 3,025 ⁽²⁾ | 19,343 ⁽²⁾⁽³⁾ |
| Total | 15,012 | 28,997 | 47,444 | 40,216 |

Notes:

- (1) Represented our prepayment to the supplier of beauty treatment equipment, which was our non-core products, and had been substantially utilized in the subsequent year.
- (2) Such amounts were mainly attributable to our prepayment for the potential investment in the production of a movie in the amount of approximately US\$425,000 pursuant to a co-financing agreement entered into by us in June 2020.
- (3) Such amounts mainly included our prepayment to the Marketing Agency for the placement of advertisements for our products and our brand, which amounted to RMB24.7 million and RMB15.0 million as of December 31, 2021 and December 31, 2022, respectively. For details of our prepayment to the Marketing Agency, please refer to the discussion above. In particular, we plan to utilize a substantial portion of the prepayments to the Marketing Agency for the placement of advertisement during the airing of *Yue Lai Yue Kuai Le* (樂來樂快樂). As the airing schedule of *Yue Lai Yue Kuai Le* (樂來樂快樂) was delayed, the relevant prepayments had not yet been utilized as at the Latest Practicable Date. It is expected that such prepayment will be fully utilized on or before December 31, 2023.

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As of May 31, 2023, RMB15.4 million, or 38.2%, of our prepayments to suppliers and services providers as of December 31, 2022 had been subsequently utilized.

Set forth below is the expected timeline for the utilization of our prepayments to suppliers and services providers as of December 31, 2022:

| | From January 1 to December 31, 2023 | | From January 1 to June 30, 2024 | |
|--------------------------------------|--|------------------------|------------------------------------|------------------------|
| | <i>(RMB'000)</i> | <i>%⁽¹⁾</i> | <i>(RMB'000)</i> | <i>%⁽¹⁾</i> |
| <i>Prepayments for:</i> | | | | |
| Production of products | 15,949 | 39.7 | – | – |
| Advertising and promotion services | 15,320 | 38.1 | – | – |
| Production of events and IP programs | 284 | 0.7 | 2,960 ⁽²⁾ | 7.4 |
| Other | 5,698 | 14.1 | 5 | 0.0 |
| | Total | 92.6 | 2,965 | 7.4 |

Notes:

- (1) Represented the percentage of the prepayments utilized to the total prepayments balance of the Group as of December 31, 2022.
- (2) Represented our prepayments in relation to our potential investment in the production of a movie.

Restricted bank deposits

We recorded restricted bank deposits of RMB11.0 million as of December 31, 2020. We recorded such balance as of December 31, 2020, primarily due to our dispute with our ex-marketing agency, and as a result, our certain bank accounts were temporarily frozen. In January 2021, all of the funds frozen were unconditionally released. In May 2021, our bank accounts was temporarily frozen by the local authority in Xianan pending for investigation. In late July 2021, all of the funds temporarily frozen by Xianan Authorities were unconditionally released. For details, please refer to the section headed “Business – Distribution network – Distribution Agent Assisted Distribution Model – The Temporary Suspension of Bank Accounts due to alleged pyramid selling” in this prospectus. Accordingly, we did not have any restricted bank deposits as of December 31, 2021 and 2022.

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Trade and other payables

Trade Payables

| | As of December 31, | | | |
|-----------------------|---------------------------|--------|--------|-------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Trade payables | | | | |
| – Related parties | 499 | 5,425 | 5,428 | 1,128 |
| – Third parties | 8,130 | 5,241 | 16,072 | 8,556 |
| Total | 8,629 | 10,666 | 21,500 | 9,684 |

Trade payables primarily represented our obligations to pay for services and goods from suppliers in the ordinary course of business. Our suppliers generally grant us credit terms of up to 60 days.

Our trade payables were RMB8.6 million, RMB10.7 million, RMB21.5 million and RMB9.7 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

Trade payables to related parties

For details about the trade payables to related parties, please refer to the paragraph headed “– Related party transactions and balances” in this section.

Trade payables to third parties

Our trade payables to third parties amounted to RMB8.1 million, RMB5.2 million, RMB16.1 million and RMB8.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

As of December 31, 2019, our trade payables to third parties amounted to RMB8.1 million, which mainly consisted of payables to suppliers for their services provided for the production of *J-Style Trip* season one.

Our trade payables to third parties decreased from RMB8.1 million as of December 31, 2019 to RMB5.2 million as of December 31, 2020, primarily due to the substantial settlement of the service fees payable to our suppliers related to the production of *J-Style Trip* season one in 2019.

Our trade payables to third parties increased from RMB5.2 million as of December 31, 2020 to RMB16.1 million as of December 31, 2021, primarily attributable to the amounts payables to a service provider for an online Livestreaming event in the amount of RMB3.2 million and suppliers of our health management products in the aggregated amount of RMB5.0 million.

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Our trade payables to third parties decreased from RMB16.1 million as of December 31, 2021 to RMB8.6 million as of December 31, 2022, which was primarily due to (i) the settlement of amounts due to Supplier D, a supplier of our IP creation and operation business, of RMB3.2 million during 2022; and (ii) decrease in the amounts payable to the supplier of *MODONG* herb beverage.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

| | As of December 31, | | | |
|---------------|---------------------------|---------------|---------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| 0–60 days | 7,710 | 2,510 | 19,927 | 8,190 |
| 61–120 days | 107 | 6,947 | 753 | 43 |
| 121–365 days | 186 | 372 | 753 | 66 |
| Over 365 days | 626 | 837 | 67 | 1,385 |
| Total | 8,629 | 10,666 | 21,500 | 9,684 |

The following table sets forth our trade payables turnover days during the Track Record Period:

| | Year ended December 31, | | | |
|--|-------------------------|------|------|------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in days)</i> | | | |
| Average trade payables turnover days | | | | |
| – Overall ⁽¹⁾ | 72 | 25 | 41 | 31 |
| – New retail ⁽²⁾ | 34 | 9 | 28 | 42 |
| – IP creation and operation ⁽³⁾ | 97 | 75 | 66 | 22 |

Notes:

- (1) Overall trade payable turnover days equals the average of the opening and closing trade payables divided by the sum of “Cost of goods sold”, “Transportation and logistics expenses”, “Cost of event planning and management services” and “Addition to TV programs rights” for the relevant year and multiplied by 365 days.
- (2) Trade payable turnover days for new retail business equals the average of the opening and closing trade payables divided by sum of “Cost of goods sold”, and “Transportation and logistics expenses” for the relevant year and multiplied by 365 days.
- (3) Trade payable turnover days for IP creation and operation business equals the average of the opening and closing trade payables divided by sum of “Cost of event planning and management services” and “Addition to TV programs rights” for the relevant year and multiplied by 365 days.

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Overall trade payable turnover days

The overall trade payable turnover days decreased from 72 days for 2019 to 25 days for 2020, primarily due to the rapid growth of *MODONG* coffee business where our production cost paid to Hengmei Group were required to be settled in advance; and the settlement of payable due to a major supplier in connection with planning concerts in 12 cities in China in 2018. The overall trade payable turnover days increased to 41 days for the year ended December 31, 2021, primarily due to the increased trade payables balances related to new retail business following the launch of the new products such as *MODONG* herb beverage, partially offset by the effect from the increase in the cost of event planning and management services incurred in 2021. The overall trade payable turnover days decreased to 31 days for the year ended December 31, 2022, primarily due to the addition of TV programs rights of RMB74.8 million during 2022 and partially offset by the impact of the lower costs of goods sold incurred as a results of the Resurgence where our revenue of new retails business were negatively affected.

Trade payable turnover days for new retail business

Our trade payable turnover days decreased from 34 days for 2019 to nine days for 2020, mainly due to the rapid growth of *MODONG* coffee business where our production cost paid to Hengmei Group were required to be settled in advance. Our trade payable days for new retail business increased to 28 days for the year ended December 31, 2021, mainly due to the increased trade payables balances related to new retail business following the launch of the new products such as *MODONG* herb beverage. The trade payable turnover days for new retail business further increased from 28 days for the year ended December 31, 2021 to 42 days for the year ended December 31, 2022, primarily due to the lower cost of goods sold incurred during 2022 as a result of the Resurgence where our revenue of new retails business were negatively affected.

Trade payable turnover days for IP creation and operation

The trade payable turnover days for IP creation and operation business decreased from 97 days for 2019 to 75 days for 2020, primarily due to the decrease in average trade payable balance related to IP creation and operation business as a result of the settlement of payable due to a major supplier in connection with planning concerts in 12 cities in China in 2018. The trade payable turnover days for IP creation and operation business decreased to 66 days for the year ended December 31, 2021, primarily due to the increase in the cost of event planning and management services incurred in 2021 arising from the music talk shows and performance in music events and variety shows planned and created by us in 2021. The trade payable turnover days for IP creation and operation business decreased to 22 days for the year ended December 31, 2022, primarily due to (i) the addition of TV program rights of RMB74.8 million as of December 31, 2022; and (ii) the decrease in trade payable related to IP creation and operation business due to the settlement of trade payable balance due to Supplier D and JVR Music as of December 31, 2021.

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As of May 31, 2023, RMB4.7 million, or 48.4%, of our trade payables as of December 31, 2022 had been subsequently settled.

Other payables

Our other payables and accruals consisted mainly of: (i) amounts due to related parties; (ii) investment received for *J-Style Trip* season one; (iii) salaries and staff welfare payable; (iv) other taxes payable; (v) Listing expense accrual; (vi) accrued expense; (vii) deposits from customers; (viii) sales commission payable; (ix) refund liability; (x) amounts due to third parties; and (xi) others. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

| | As of December 31, | | | |
|--|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Amounts due to related parties | 72,788 | 11,307 | – | 15,946 |
| Investment received for <i>J-Style Trip</i> season one | 21,400 | – | – | – |
| Salaries and staff welfare payable | 1,592 | 5,727 | 6,054 | 6,083 |
| Other taxes payable | 6,967 | 19,731 | 9,144 | 16,975 |
| Listing expense accrual | – | 1,780 | 781 | 3,580 |
| Accrued expense | 714 | 1,065 | 1,193 | 1,200 |
| Deposits from customers | 11,553 | 5,829 | 6,815 | 4,328 |
| Sales commission payable | 3,290 | 20,635 | – | – |
| Refund liability | 2,742 | – | – | – |
| Amounts due to third parties | – | – | – | 10,176 |
| Others ^(Note) | 1,300 | 2,574 | 89 | 1,038 |
| Total | 122,346 | 68,648 | 24,076 | 59,326 |

Note: Others mainly represented payables to administrative and miscellaneous expenses.

Amounts due to related parties

For details of our amounts due to related parties during the Track Record Period, please refer to the paragraph headed “– Related Party Transactions and Balances” in this section.

Investment received for J-Style Trip season one

We recorded investment received for *J-Style Trip* season one in the amount of RMB21.4 million as of December 31, 2019, which represented the funds received by us from an Independent Third Party for the investment in *J-Style Trip* season one. Such investor had subsequently terminated its investment due to the then uncertainty in the investment return of *J-Style Trip* season one amid the outbreak of COVID-19. For details, please refer to the paragraph headed “Description of major components of our results of operation – other gain/(losses), net” in this section.

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Other taxes payable

Our other taxes payable was RMB7.0 million, RMB19.7 million, RMB9.1 million and RMB17.0 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Such balances mainly represented value-added tax payable. Our other tax payable increased significantly from December 31, 2019 to December 31, 2020 mainly due to the increase in the revenue generated from our new retail business. As of December 31, 2021, our other tax payable decreased to RMB9.1 million mainly attributable to the decrease in the revenue generated from our new retail business in 2021. Our other taxes payable increased from RMB9.1 million as of December 31, 2021 to RMB17.0 million as of December 31, 2022 mainly due to increase in output VAT payable resulted from the increase in revenue for the fourth quarter of 2022 which had not been settled as at December 31, 2022.

Deposits from customers

Our deposits from customers was RMB11.6 million, RMB5.8 million, RMB6.8 million and RMB4.3 million as of December 31, 2019, 2020, 2021 and 2022, respectively. Such amount primarily represented the security deposits paid by (i) our distributors of *MODONG* coffee which were primarily received and held by Kunshan Tingshe (being our Distribution Agent). As Kunshan Tingshe was our subsidiary prior to May 2020, the deposits received were also recorded under our consolidated financial statements; and (ii) other distributors, including Customer D, in accordance with the distribution agreements entered into between us and other distributors who engage in distribution of our skincare products brought forward since 2018. The balance of our deposits from customers decreased from RMB11.6 million as of December 31, 2019 to RMB5.8 million as of December 31, 2020, primarily due to the disposal of Kunshan Tingshe. Our deposits from customers increased to RMB6.8 million as of December 31, 2021, primarily due to deposits received from Customer D for our products which were newly launched in 2021. Deposits from customers decreased from RMB6.8 million as of December 31, 2021 to RMB4.3 million as of December 31, 2022 mainly due to the cessation of our business relationship with certain distributors and the refund of the relevant deposits to them.

Sales commission payable

We recorded sales commission payable of RMB3.3 million and RMB20.6 million as of December 31, 2019 and 2020, respectively. As of December 31, 2019, our sales commission payable represented the amount payable in respect of the Service Fee to Li Ting. As of December 31, 2020, our sales commission payable mainly represented the Additional Incentive Fee to Kunshan Tingshe. As of December 31, 2021 and 2022, no Additional Incentive Fee to Kunshan Tingshe was payable by us as the sale of the Kunshan Tingshe Distributed Products during the year ended December 31, 2021 and 2022 did not meet the prescribed target for the Additional Incentive Fee. For details of the pricing arrangement between us and Kunshan Tingshe, please refer to the section headed “Distribution arrangement with Kunshan Tingshe – Pricing arrangement and discounts, incentives and fees in relation to the sales of Kunshan Tingshe Distributed Products” in this prospectus.

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Amounts due to third parties

We recorded amounts due to third parties of RMB10.2 million as of December 31, 2022. Such amounts mainly represented the fees payable to Mr. Liu Keng-hung and the MCN Company in relation to our celebrity IP management services provided to brand owners or the MCN Company (as the case may be). Please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung” in this prospectus for further details on the cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V.

Contract liabilities

Our contract liabilities mainly arose from the prepayments made by distributors for purchase of our products which are received by our Distribution Agent Kunshan Tingshe through the Jointly-controlled Accounts. We would account for such receipts in advance as contract liabilities as we regard Kunshan Tingshe as our agent to receive such advance payments on our behalf which were cleared and settled to us regularly. For more details, please refer to the sections headed “Distribution arrangement with Kunshan Tingshe – Settlement arrangement among our Group, Kunshan Tingshe and our distributors”, and “– Control measures against risk of default of Kunshan Tingshe – (a) Jointly-controlled Accounts” in this prospectus and the paragraph headed “Discussion of certain key items of consolidated statement of financial position – Trade and other receivables – Other receivables – Other receivables – Due from a third party” in this section. Alongside with the prepayments made by distributors, to a lesser extent, we received prepayments from other customers for other products and licensing services.

The following table shows the contract liabilities as of the dates indicated:

| | As of December 31, | | | |
|--|---------------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Sale of goods | 11,559 | 63,056 | 54,863 | 24,414 |
| Provision of IP creation and operation service | 1,977 | 1,477 | 4,490 | 7,009 |
| Total | 13,536 | 64,533 | 59,353 | 31,423 |

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We recorded total contract liabilities (including both current and non-current portion) of RMB13.5 million, RMB64.5 million, RMB59.4 million and RMB31.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively. During the Track Record Period, our contract liabilities mainly arose from advances from distributors for the purchase of products under our new retail business, which amounted to RMB11.6 million, RMB63.1 million, RMB54.9 million and RMB24.4 million as of December 31, 2019, 2020, 2021 and 2022, respectively, representing 85.9%, 97.8%, 92.4% and 77.7% of our total contract liabilities as of the corresponding year end. Our contract liabilities arising from the provision of IP creation and operation service increased from RMB4.5 million as of December 31, 2021 to RMB7.0 million as of December 31, 2022, which was mainly attributable to payments received from certain brand owners in relation to our celebrity IP management business.

Approximately 100%, 100% and 100% of our contract liabilities as at December 31, 2019, 2020 and 2021 had been subsequently recognized as revenue during the Track Record Period. For details, please refer to note 28(b) of the Accountant's Report in Appendix I to this prospectus. As of May 31, 2023, RMB8.8 million, or 27.9%, of our contract liabilities as of December 31, 2022 had been recognized as revenue.

Below we further sets out further details regarding the number of our distributors, the average amount of our contract liabilities and the proportion of prepayment made by these distributors to the total contract liabilities in relation to the sales of goods as of December 31, 2022.

| | No. of distributor | Average amount as of December 31, 2022 | Proportion of prepayment made by distributors to the total contract liabilities in relation to the sales of goods |
|--|-------------------------------|---|--|
| | | <i>(in RMB thousands)</i> | <i>(%)</i> |
| Range of prepayment <i>(in RMB thousands)</i> | | | |
| 0-100 | 703 | 27 | 74.4 |
| 101-500 | 38 | 158 | 23.5 |
| 501-1,000 | 1 | 522 | 2.1 |
| Total | 742 | | 100.0 |

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated.

| | Year ended/as of December 31, | | | |
|---------------------------------|-------------------------------|------------|------------|------------|
| | 2019 | 2020 | 2021 | 2022 |
| Gross profit margin | 65.4% | 50.9% | 62.2% | 64.7% |
| Net profit margin | 26.2% | 16.6% | 11.7% | 18.9% |
| Current ratio ⁽¹⁾ | 1.1 times | 1.4 times | 1.2 times | 1.3 times |
| Quick ratio ⁽²⁾ | 1.0 times | 1.3 times | 1.1 times | 1.2 times |
| Return on assets ⁽³⁾ | 12.1% | 23.2% | 9.1% | 11.7% |
| Return on equity ⁽⁴⁾ | 88.5% | 56.0% | 26.0% | 27.7% |
| Gearing ratio ⁽⁵⁾ | 0.10 times | 0.02 times | 1.14 times | 0.84 times |

Notes:

- (1) Current ratio is calculated based on our total current assets divided by our total current liabilities.
- (2) Quick ratio is calculated based on our total current assets less inventories and divided by our total current liabilities.
- (3) Return on assets is calculated based on our net profit for the year divided by our total assets at the end of the year and multiplied by 100%.
- (4) Return on equity is calculated based on our net profit for the year divided by the total equity as of the end of the year and multiplied by 100%.
- (5) Gearing ratio is calculated based on the total borrowings (including bank borrowings, lease liabilities and financial instrument with redemption rights) divided by total equity.

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Gross profit margin and net profit margin

For further details of the gross profit margin and net profit margin, please refer to the paragraphs headed “Description of major components of our results of operations – Gross profit and gross profit margin” and “– Period-to-period comparison of results of operations” in this section.

Current ratio and quick ratio

Our current ratio as of December 31, 2019, 2020, 2021 and 2022 was approximately 1.1 times, 1.4 times, 1.2 times and 1.3 times, respectively. The increase in our current ratio from 1.1 times as of December 31, 2019 to 1.4 times as of December 31, 2020 was primarily due to the increase in current assets by RMB80.8 million as a result of the increase in trade and other receivables and cash and cash equivalents, which outpaced the increase in current liabilities of RMB27.7 million. Notwithstanding our current assets increased by 37.5% from RMB259.1 million as of December 31, 2020 to RMB356.2 million as of December 31, 2021, the current ratio slightly decreased to 1.2 times as of December 31, 2021, primarily due to the increase in current liabilities by 55.7% from RMB187.5 million as of December 31, 2020 to RMB291.8 million as of December 31, 2021 mainly resulted from financial instrument with redemption rights of RMB163.5 million. Our current ratio increased slightly to 1.3 times as at December 31, 2022 mainly due to the increase in our current assets, which was mainly attributable to the increase in our TV program rights. Our quick ratio was 1.0 times, 1.3 times, 1.1 times and 1.2 times as of December 31, 2019, 2020, 2021 and 2022, respectively. The quick ratio demonstrated a similar trend as the current ratio and the reasons for the fluctuations are also similar to that of the current ratio.

Return on assets

Our return on assets for the years ended December 31, 2019, 2020, 2021 and 2022 was approximately 12.1%, 23.2%, 9.1% and 11.7%, respectively. The increase in our return on assets from 2019 to 2020 was mainly due to the increase in net profit which outweighed the increase in the total asset. Our return on assets decreased from 2020 to 2021 primarily due to the decrease in our net profit from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021 as a result of the decrease in our revenue and increase in our general and administrative expenses. Our return on assets increased to 11.7% for the year ended December 31, 2022 mainly due to the fact that our net profit for 2022 increased at a higher rate than our total assets as at December 31, 2022.

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Return on equity

Our return on equity for the years ended December 31, 2019, 2020, 2021 and 2022 was approximately 88.5%, 56.0%, 26.0% and 27.7%, respectively. Our return on equity decreased moderately in 2020 given the increase in our equity base as a result of the issuance of ordinary shares to our Pre-IPO investor at a consideration of HK\$37.5 million. Our return on equity further decreased from 2020 to 2021 mainly due to the decrease in our net profit from RMB75.6 million for the year ended December 31, 2020 to RMB42.9 million for the year ended December 31, 2021 as a result of the decrease in our revenue and increase in our general and administrative expenses. Our return on equity increased to 27.7% for the year ended December 31, 2022 mainly due to the fact that our net profit for 2022 increased at a higher rate than our total equity as at December 31, 2022.

Gearing ratio

Our gearing ratio was 0.10 times, 0.02 times, 1.14 times and 0.84 times as of December 31, 2019, 2020, 2021 and 2022, respectively. The decrease of the gearing ratio from 2019 to 2020 was primarily attributable to the increase in equity base following the profit generated and the issuance of shares in 2020. The gearing ratio significantly increased to 1.14 times as of December 31, 2021, primarily due to the financial instrument with redemption rights of RMB163.5 million and borrowings of RMB20.0 million as of December 31, 2021. Our gearing ratio decreased to 0.84 times as of December 31, 2022, primarily due to the increase in equity base following the profit generated during 2022.

RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with related parties

During the Track Record Period, we entered into transactions with certain related parties from time to time. For a discussion of related party transactions, please refer to Note 36(b) to the Accountant's Report set forth in Appendix I to this prospectus.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

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Balances with related parties

The table below sets forth the breakdowns of our balances with related parties as of the dates indicated below.

Trade in nature:

| | As of December 31, | | | |
|--------------------------------------|---------------------------|--------|-------|--------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Trade receivables | | | | |
| Beijing Master | – | 27,407 | – | – |
| Jtea (Kunshan) | – | 1,019 | – | 23 |
| Jesports (Beijing) | – | 282 | 38 | 15 |
| | – | 28,708 | 38 | 38 |
| Prepayments | | | | |
| Max One | 838 | 905 | – | – |
| W&V ⁽¹⁾ | – | – | – | 2,877 |
| | 838 | 905 | – | 2,877 |
| Trade payables | | | | |
| Archstone | – | 4,881 | 1,030 | 140 |
| Lu Yu Music ⁽²⁾ | 499 | – | – | – |
| JVR Music | – | 494 | 4,190 | 984 |
| Jtea (Kunshan) | – | 50 | 92 | 4 |
| W&V ⁽¹⁾ | – | – | 116 | – |
| | 499 | 5,425 | 5,428 | 1,128 |
| Contract liabilities | | | | |
| Jesports (Beijing) | – | 1,447 | – | – |
| Jtea (Kunshan) | – | – | 1 | – |
| | – | 1,447 | 1 | – |
| Amount due to a related party | | | | |
| W&V ⁽¹⁾ | – | – | – | 15,946 |

Notes:

- (1) W&V is the non-controlling shareholder holding 30% of the entire issued share capital of Talent Planet.
- (2) 陸宇音樂有限公司 (Lu Yu Music Co.)* (“**Lu Yu Music**”) is a company controlled by Mr. Chan Yu-hao, the ultimate shareholder of 50% equity interests in Secret Music (HK).

FINANCIAL INFORMATION

Non-trade in nature:

| | As of December 31, | | | |
|--|---------------------------|---------------|------------|------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Amounts due from related parties | | | | |
| Max One | – | 3 | – | – |
| Mr. Lai | 4,670 | 3,907 | – | – |
| Kunshan Jiabao | 10,000 | – | N/A | N/A |
| Jushi Creative | 8,468 | 177 | – | – |
| Lhasa Juchuang | 1,080 | – | – | – |
| Kunshan Renben | 1,080 | – | – | – |
| Shanghai Yige | 1,840 | – | – | – |
| Jesports (Beijing) | 2,000 | – | – | – |
| Ms. Ma | 81 | – | – | – |
| W&V | – | – | – | 3 |
| | <u>29,219</u> | <u>4,087</u> | <u>–</u> | <u>3</u> |
| Amounts due to related parties | | | | |
| Great Essence Holdings Ltd. | 35,762 | – | – | – |
| Jushi Creative | 10,000 | – | – | – |
| Kunshan Jiabao | – | 531 | N/A | N/A |
| Kunshan Renben | 26,742 | 7,742 | – | – |
| Jesports (Beijing) | 3 | – | – | – |
| Ms. Ma | 5 | – | – | – |
| Mr. Lai | 276 | 3,034 | – | – |
| | <u>72,788</u> | <u>11,307</u> | <u>–</u> | <u>–</u> |
| Sales commission payables | | | | |
| Li Ting | <u>3,290</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Prepayment for purchase of staff quarters | | | | |
| Kunshan Jiabao | <u>–</u> | <u>53,468</u> | <u>N/A</u> | <u>N/A</u> |

FINANCIAL INFORMATION

Trade in nature

Trade receivables

As of December 31, 2019, 2020, 2021 and 2022, our trade receivables from related parties was nil, RMB28.7 million, RMB38,000 and RMB38,000, respectively. Our trade receivables from related parties during the Track Record Period mainly consisted of (i) the licensing fees and advertisement fees relating to *J-Style Trip* season one payable to us by Beijing Master, a PRC-established company holding 30% of the equity interest in Beijing Star Plus Master; and (ii) purchases of *MODONG* coffee and *ChouMate* related products from Jtea (Kunshan) and Jesports (Beijing), each of which was a wholly-owned subsidiary of Jesports (Kunshan) which was in turn controlled by Mr. Yang, Mr. Chen and Ms. Yeh, for reselling at their outlets.

Prepayments

As of December 31, 2019, 2020, 2021 and 2022, our prepayments from related parties was RMB838,000, RMB905,000, nil and RMB2.9 million, respectively. The prepayments as of December 31, 2019 and 2020 were mainly arising from the services provided by Max One, a company wholly-owned by Mr. Chen, in connection with the celebrity endorsement for one of our products under our new retail business. We recorded prepayment to related parties of RMB2.9 million as of December 31, 2022. Such amount represented our prepayment for the monthly service fees payable to W&V under a service agreement entered into between Talent Planet and W&V, pursuant to which Talent Planet engaged W&V to provide artiste management services in relation to IP programs involving Mr. Liu Keng-hung at a monthly service fees of HK\$140,000.

Trade payable

As of December 31, 2019, 2020, 2021 and 2022, our trade payables to related parties was RMB499,000, RMB5.4 million, RMB5.4 million and RMB1.1 million, respectively. Our trade payable to related parties as of December 31, 2020 was mainly arising from the logistical and coordination service fees payable to Archstone, a BVI business company wholly owned by Mr. Chen, for its services provided to us in *J-Style Trip* season one. Our trade payable to related parties as of December 31, 2021 was mainly arising from services fees payable to JVR Music, the artiste management company of Mr. Jay Chou, for planning and coordinating the performance participated by Mr. Jay Chou at a music event organized by a leading online music streaming service provider in the PRC. Our trade payables to related parties as of December 31, 2022 was mainly attributable to the fees payable to JVR Music for the licensing of *ChouMate* under our IP creation and operation business.

Contract liabilities

As of December 31, 2019, 2020, 2021 and 2022, contract liabilities attributable to related parties was nil, RMB1.4 million, RMB1,000 and nil respectively. We recorded such balance with Jesports (Beijing) as of December 31, 2020, primarily attributable to the advance payment made by Jesports (Beijing) for *MODONG* coffee yet to be delivered to Jesports (Beijing).

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Amount due to a related party

As of December 31, 2022, we recorded amount due to a related party in the amount of RMB15.9 million, which represented the fees payable to W&V in relation to our celebrity IP management services provided to brand owners or the MCN Company (as the case may be) which commenced in 2022. For details of our cooperation with the MCN Company and our profit-sharing arrangement with Mr. Liu Keng-hung and W&V, please refer to the section headed “Cooperation with celebrities – Cooperation with Mr. Liu Keng-hung and Ms. Vivi Wang – Cooperation under our IP creation and operation business – Cooperation in respect of events and IP programs of Mr. Liu Keng-hung” in this prospectus.

Non-trade in nature

Amounts due from related parties

As of December 31, 2019, 2020, 2021 and 2022, our amounts due from the related parties was RMB29.2 million, RMB4.1 million, nil and RMB3,000, respectively. Our amount due from related parties as of December 31, 2019 mainly represented (i) the earnest money paid to Kunshan Jiabao, a company of which Ms. Ma had been a director from March 2019 to August 2021, for the purchase of properties which was fully refunded in 2020; and (ii) the loan provided by us to Jushi Creative and the consideration receivable from related parties in relation to the disposal of Jushi Creative. The decrease in our amounts due from related parties as of December 31, 2020 was mainly due to the refund of the deposit paid by us for the properties purchased from Kunshan Jiabao. For details of the properties acquired from Kunshan Jiabao, please refer to the section headed “Business – Properties – Owned properties” in this prospectus. As of December 31, 2021, all the abovementioned outstanding amounts due from our related parties had been settled. As of December 31, 2022, we recorded amounts due from related parties of RMB3,000, which represented the unpaid registered share capital payable by W&V as a shareholder of Talent Planet. Such balance will be fully settled before Listing.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Amounts due to related parties

As of December 31, 2019 and 2020, our amounts due to related parties was approximately RMB72.8 million and RMB11.3 million, respectively. The decrease was mainly due to the repayment of loans provided by Kunshan Renben and Great Essence and the settlement of consideration payable by us to Jushi Creative in relation to the acquisition of Kunshan Star Plus Action from Jushi Creative in 2018. As of December 31, 2021 and 2022, all the abovementioned outstanding amounts due to our related parties had been settled.

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

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Sales commission payables

As of December 31, 2019, we recorded sales commission payable to related parties of RMB3.3 million. The balance mainly represented the fee payable to Li Ting for her sales commission in connection with the *MODONG* coffee in 2019. Li Ting was no longer our related party upon our disposal of Kunshan Tingshe in May 2020.

Prepayment for purchase of staff quarters

We recorded prepayment to related parties as of December 31, 2020 in the amount of RMB53.5 million which was arising from our purchase of staff quarters from Kunshan Jiabao, which is wholly owned by WS World (Kunshan) Digital Film Culture Development Co. Ltd., who is an Independent Third Party. We also entered into an agreement with Kunshan Jiabao in February 2021 for the purchase of office premises. To our best knowledge, Kunshan Jiabao is principally engaged in property investment and development with a primarily focus in Kunshan. Given Ms. Ma was acquainted with the management of Kunshan Jiabao since 2012, they maintained good relationship and trust. Based on Ms. Ma's extensive business network in Kunshan, Ms. Ma was invited by the management of Kunshan Jiabao to provide strategic advice and was the legal representative and director of Kunshan Jiabao from March 2019 to August 2021. Therefore, Kunshan Jiabao was treated as one of our related parties under the applicable accounting standard.

For the avoidance of doubt, Ms. Ma was not involved in the operation of Kunshan Jiabao. As of the Latest Practicable Date, Ms. Ma had resigned from all positions from Kunshan Jiabao. Despite our relationship with Kunshan Jiabao, our Directors consider our related party transaction with Kunshan Jiabao was conducted in our ordinary and usual course of business and on normal commercial terms. Further, the consideration of the transaction and all relevant terms are fair and reasonable, given the consideration was agreed after arm's length negotiation between the parties with reference to the price list published by Kunshan Jiabao.

Moreover, the Directors consider as our business operations continue to grow, we will need more staff quarters and office space to accommodate our expanding team of staff. Furthermore, our Directors also consider that owning and providing our own staff quarters has the positive effect of attracting more talents. After searching for possible sites, we believe the above properties are suitable venues for such purpose as the area in which the properties is located will be a mature residential and commercial area for our use. Regarding the details of the properties acquired from Kunshan Jiabao, please refer to the section headed "Business – Properties – Owned properties".

As Ms. Ma had ceased to be the legal representative and director of Kunshan Jiabao in August 2021, the balance of our prepayment to Kunshan Jiabao as of December 31, 2021 was no longer recorded as balances with related parties. For details of the balance of prepayment to Kunshan Jiabao as of December 31, 2022, please refer to the paragraph headed "– Discussion of certain key items of consolidated statement of financial position – Other non-current assets" in this section.

All non-trade balances with related parties will be fully settled upon Listing.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically met our working capital and other capital requirements primarily through cash generated from our operating activities and capital injection from our Shareholders. We had cash and cash equivalents of RMB29.3 million, RMB121.0 million, RMB211.9 million and RMB182.6 million as of December 31, 2019, 2020, 2021 and 2022, respectively.

The following table sets forth a summary of our cash flows for the years indicated:

| | Year ended December 31, | | | |
|--|--------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>(in RMB thousands)</i> | | | |
| Operating cash flows before movements in working capital | 32,815 | 115,294 | 83,259 | 121,785 |
| Movement in working capital | (29,996) | 223,688 | (43,842) | (98,760) |
| Cash generated from operations | 2,819 | 338,982 | 39,417 | 23,025 |
| Interest received | 62 | 479 | 1,248 | 2,443 |
| Income tax paid | (1,245) | (11,008) | (49,950) | (19,973) |
| Net cash inflow/(outflow) from operating activities | 1,636 | 328,453 | (9,285) | 5,495 |
| Net cash outflow from investing activities | (17,824) | (197,722) | (42,943) | (24,863) |
| Net cash inflow/(outflow) from financing activities | 28,442 | (39,030) | 143,615 | (11,387) |
| Net increase/(decrease) in cash and cash equivalents | 12,254 | 91,701 | 91,387 | (30,755) |
| Cash and cash equivalents at beginning of the year | 17,044 | 29,298 | 120,962 | 211,873 |
| Effect of exchange rate changes on cash and cash equivalents | – | (37) | (476) | 1,515 |
| Cash and cash equivalents at end of the year | 29,298 | 120,962 | 211,873 | 182,633 |

FINANCIAL INFORMATION

Taking into account the financial resources available to us, including existing borrowings, cash and cash equivalents, cash generated from operations and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

Net cash inflow/(outflow) from operating activities

Net cash inflow/(outflow) from operating activities reflected the (i) cash generated from operations; (ii) interests received; and (iii) income tax paid.

For the year ended December 31, 2019, we had net cash flows inflowed from operating activities of RMB1.6 million, which was the result of cash generated from operations of RMB2.8 million and income tax payment of RMB1.2 million.

The cash generated from operations of RMB2.8 million primarily represented profit before tax of RMB31.8 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included the depreciation of right-of-use assets of RMB0.8 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included the increase in TV program rights of RMB35.2 million and inventories of RMB9.1 million, being partially offset by changes in certain working capital items that positively affected operating cash flow, mainly included the increase in trade and other payables in the amount of RMB10.3 million.

For the year ended December 31, 2020, we had net cash flows inflowed from operating activities of RMB328.5 million, which was the result of cash generated from operations of RMB339.0 million and income tax payment of RMB11.0 million.

The cash generated from operations of RMB339.0 million primarily represented profit before tax of RMB113.8 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included other income from settlement of investment for *J-Style Trip* season one of RMB9.4 million and net impairment losses on financial assets of RMB4.5 million; and (ii) certain working capital items that positively affected operating cash flow, mainly included (a) the realization of TV programs rights of RMB77.2 million resulting from the airing of *J-Style Trip* season one on Zhejiang Satellite TV in March 2020; (b) the increase in trade and other payables of RMB90.8 million primarily attributable to the disposal of Kunshan Tingshe; (c) the increase of contract liabilities of RMB51.4 million mainly due to increase in prepayments made by distributors for purchase of our coffee products which are received by our Distribution Agent Kunshan Tingshe through the Jointly-controlled Accounts; and (d) decrease in trade and other receivables of RMB31.3 million, which was partially offset by the increase in inventories of RMB11.0 million which was in line with the increase in the stock of new products such as *Chaxiaojie* and *Dr.mg* in preparation of the launch.

FINANCIAL INFORMATION

For the year ended December 31, 2021, we had net cash flows outflowed from operating activities of RMB9.3 million, which was the result of cash generated from operations of RMB39.4 million and income tax payment of RMB50.0 million.

The cash generated from operations of RMB39.4 million primarily represented profit before tax of RMB64.7 million, adjusted for (i) certain non-cash gains, loss and expenses, mainly included finance costs of RMB10.2 million and impairment losses on inventories in the amount of RMB6.2 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included (a) the decrease in trade and other payables of RMB23.9 million; (b) increase in prepayments and other current assets of RMB17.8 million; and (c) increase in TV program rights of RMB13.6 million; which was partially offset by the decrease of trade and other receivables of RMB22.5 million. We had net cash outflows from operating activities of RMB9.3 million for the year ended December 31, 2021 mainly due to (i) the settlement of amounts due to related parties of RMB11.3 million; (ii) the increase in prepayments to suppliers and services providers by RMB18.4 million; (iii) cash used in the production of *Yue Lai Yue Kuai Le* (樂來樂快樂) and *J-Style Trip* season two; and (iv) the income tax paid during 2021.

For the year ended December 31, 2022, we recorded net cash inflow from operating activities of RMB5.5 million, which was resulted from cash generated from operations of RMB23.0 million, as adjusted by interest received of RMB2.4 million and income tax paid of RMB20.0 million.

Our cash generated from operations of RMB23.0 million primarily represented profit before tax of RMB93.1 million for 2022, adjusted for (i) certain non-cash gains, loss and expenses, mainly included exchange loss of RMB13.7 million and net impairment losses on inventories of RMB6.7 million; and (ii) certain working capital items that negatively affected operating cash flow, mainly included increase in TV program rights of RMB76.0 million and decrease in contract liabilities of RMB27.9 million.

Net cash outflow from investing activities

For the year ended December 31, 2019, we had net cash outflowed from investing activities of RMB17.8 million, primarily due to the (i) loans to Jushi Creative and Jesports (Beijing) of RMB11.0 million; and (ii) payments of deposit for purchase of office premises of RMB10.0 million, which was partially offset by repayment of loans by Jushi Creative of RMB4.4 million.

For the year ended December 31, 2020, we had net cash outflowed from investing activities of RMB197.7 million, primarily due to (i) net of cash of disposed subsidiaries of RMB151.2 million; and (ii) payments for the purchase of a new office building, including the payments of deposit, in the total amount of RMB56.0 million; which was partially offset by the (iii) repayment of loans to Jushi Creative and Jesports (Beijing) of RMB10.5 million and (iv) the refund of the deposit paid for the purchase of office premises of RMB10.0 million in 2019.

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For the year ended December 31, 2021, we had net cash outflow from investing activities of RMB42.9 million, primarily due to payments for property, plant and equipment of RMB53.9 million, which was partially offset by the decrease in restricted bank deposits of RMB11.0 million.

For the year ended December 31, 2022, we had net cash outflow from investment activities of RMB24.9 million, which was mainly attributable to cash used in payments for other non-current assets and property, plant and equipment in the amount of RMB15.1 million and RMB6.3 million, respectively.

Net cash inflow/(outflow) from financing activities

For the year ended December 31, 2019, our net cash inflow from financing activities was RMB28.4 million, primarily due to the (i) loans from related parties of RMB34.6 million; (ii) proceeds from joint investors in production of *J-Style Trip* season one of RMB15.0 million; which was partially offset by (iii) repayment of loans to related parties of RMB20.2 million.

For the year ended December 31, 2020, our net cash outflow from financing activities was RMB39.0 million, primarily due to the (i) repayment of loans to related parties of RMB19.0 million; (ii) cash paid to Shareholders for Reorganization of RMB12.0 million; and (iii) settlement of financial liabilities in relation to *J-Style Trip* season one of RMB12.0 million since it was released in 2020.

For the year ended December 31, 2021, we had net cash inflow from financing activities of RMB143.6 million, primarily attributable to (i) proceeds from issuance of Shares pursuant to our Pre-IPO investment of RMB166.1 million; (ii) net proceeds from borrowings of RMB20.0 million, which was partially offset by (iii) dividend payments to Shareholders of RMB16.7 million; and (iv) repayment of loans to related parties of RMB11.5 million.

For the year ended December 31, 2022, we had net cash outflow from financing activities of RMB11.4 million, primarily attributable to cash used in the repayments of borrowings of RMB5.0 million and lease payments of RMB3.1 million.

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Current assets and current liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

| | As of December 31, | | | | As of |
|---|---------------------------|----------------|----------------|----------------|-------------------|
| | 2019 | 2020 | 2021 | 2022 | April 30, 2023 |
| | <i>(in RMB thousands)</i> | | | | (unaudited) |
| Current assets | | | | | |
| Inventories | 15,510 | 24,107 | 24,490 | 28,828 | 25,546 |
| TV programs rights | 77,247 | – | 13,594 | 89,602 | 106,339 |
| Trade and other receivables | 39,617 | 71,760 | 52,538 | 62,066 | 44,244 |
| Prepayments and other current assets | 16,601 | 31,278 | 53,677 | 53,070 | 46,199 |
| Restricted bank deposits | – | 11,008 | – | – | – |
| Cash and cash equivalents | 29,298 | 120,962 | 211,873 | 182,633 | 188,247 |
| Total current assets | 178,273 | 259,115 | 356,172 | 416,199 | 410,575 |
| Current liabilities | | | | | |
| Trade and other payables | 130,975 | 79,314 | 45,576 | 69,010 | 16,733 |
| Contract liabilities | 12,850 | 64,533 | 59,308 | 31,385 | 64,326 |
| Current income tax liabilities | 14,932 | 42,076 | 15,153 | 24,575 | 26,534 |
| Lease liabilities | 1,013 | 1,573 | 3,281 | 1,872 | 1,153 |
| Financial instrument with redemption rights | – | – | 163,520 | 178,654 | 176,412 |
| Borrowings | – | – | 5,000 | 5,000 | 5,000 |
| Total current liabilities | 159,770 | 187,496 | 291,838 | 310,496 | 290,158 |
| Net current assets | 18,503 | 71,619 | 64,334 | 105,703 | 120,417 |

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April 30, 2023 as compared to December 31, 2022

Our current assets decreased by RMB5.6 million from RMB416.2 million as of December 31, 2022 to RMB410.6 million as of April 30, 2023, which was mainly attributable to (i) the decrease in trade and other receivables by RMB17.8 million; and (ii) the decrease in prepayments and other current assets by RMB6.8 million, which was partially offset by the increase in TV program rights by RMB16.7 million.

Our current liabilities decreased by RMB20.3 million from RMB310.5 million as of December 31, 2022 to RMB290.2 million as of April 30, 2023, which was mainly attributable to the decrease in trade and other payables by RMB52.3 million, which was partially offset by the increase in contract liabilities by RMB32.9 million.

December 31, 2022 as compared to December 31, 2021

Our current assets increased by RMB60.0 million from RMB356.2 million as of December 31, 2021 to RMB416.2 million as of December 31, 2022, which was mainly attributable to (i) the increase in TV programs rights by RMB76.0 million; and (ii) the increase in trade and other receivables by RMB9.5 million, partially offset by the decrease in cash and cash equivalent by RMB29.2 million.

Our current liabilities increased by RMB18.7 million from RMB291.8 million as of December 31, 2021 to RMB310.5 million as of December 31, 2022, which was mainly attributable to (i) the increase in trade and other payables by RMB23.4 million; and (ii) the increase in the value of financial instrument with redemption rights by RMB15.1 million, partially offset by the decrease in contract liabilities by RMB27.9 million.

December 31, 2021 as compared to December 31, 2020

Our current assets increased from RMB259.1 million as of December 31, 2020 to RMB356.2 million as of December 31, 2021, which was primarily attributable to (i) an increase in cash and cash equivalents from RMB121.0 million as of December 31, 2020 to RMB211.9 million as of December 31, 2021, which was primarily attributable to the injection of capital from our Pre-IPO investment; (ii) the recognition of TV programs rights of RMB13.6 million in connection with the production of *J-Style Trip* season two; and (iii) the increase of prepayments and other current assets from RMB31.3 million as of December 31, 2020 to RMB53.7 million as of December 31, 2021.

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Our current liabilities increased from RMB187.5 million as of December 31, 2020 to RMB291.8 million as of December 31, 2021, which was primarily attributable to the recognition of financial instrument with redemption rights of RMB163.5 million in connection with our Pre-IPO investment, where the Company may be required to repurchase our Shares issued to one of our Pre-IPO investors upon the occurrence of certain circumstances, and such contractual obligation constituted financial liability under the prevailing accounting treatment. Please refer to Note 30 to the Accountant's Report in Appendix I to this Prospectus for details, which was partially offset by the decrease of (i) trade and other payables from RMB79.3 million as of December 31, 2020 to RMB45.6 million as of December 31, 2021; and (ii) decrease in current income tax liabilities from RMB42.1 million as of December 31, 2020 to RMB15.2 million as of December 31, 2021.

December 31, 2020 as compared to December 31, 2019

Our current assets increased from RMB178.3 million as of December 31, 2019 to RMB259.1 million as of December 31, 2020. The increase was primarily attributable to (i) a significant increase in trade and other receivables from RMB39.6 million as of December 31, 2019 to RMB71.8 million as of December 31, 2020, which was in line with the increase in sales revenue in *MODONG* coffee in 2020; (ii) a significant increase in cash and cash equivalents from RMB29.3 million as of December 31, 2019 to RMB121.0 million as of December 31, 2020, which was primarily attributable to the cash collected from the sales of *MODONG* coffee; and (iii) an increase in inventory from RMB15.5 million as of December 31, 2019 to RMB24.1 million as of December 31, 2020. The increase in current assets was partially offset by a decrease of TV programs rights from RMB77.2 million as of December 2019 to nil as of December 31, 2020, as *J-Style Trip* season one finished airing.

Our current liabilities increased from RMB159.8 million as of December 31, 2019 to RMB187.5 million as of December 31, 2020. The increase was primarily attributable to a significant increase in the contract liabilities from RMB12.9 million as of December 31, 2019 to RMB64.5 million as of December 31, 2020, which was primarily attributable to the payment made to us by distributors for *MODONG* coffee yet to be delivered and in line with the increase in sales revenue.

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INDEBTEDNESS

The following table shows our bank borrowings, lease liabilities and financial instrument with redemption rights as of the dates indicated:

| | As of December 31, | | | | As of |
|---|---------------------------|-------|---------|---------|-------------------|
| | 2019 | 2020 | 2021 | 2022 | April 30, 2023 |
| | <i>(in RMB thousands)</i> | | | | |
| | | | | | (unaudited) |
| Non-Current | | | | | |
| Bank borrowings | – | – | 15,000 | 10,000 | 8,333 |
| Lease liabilities | 1,484 | 1,409 | 1,035 | 220 | 98 |
| Subtotal | 1,484 | 1,409 | 16,035 | 10,220 | 8,431 |
| Current | | | | | |
| Bank borrowings | – | – | 5,000 | 5,000 | 5,000 |
| Lease liabilities | 1,013 | 1,573 | 3,281 | 1,872 | 1,153 |
| Financial instrument with redemption rights | – | – | 163,520 | 178,654 | 176,412 |
| Subtotal | 1,013 | 1,573 | 171,801 | 185,526 | 182,565 |
| Total | 2,497 | 2,982 | 187,836 | 195,746 | 190,996 |

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Bank borrowings

We did not have any outstanding balance of bank borrowings as of December 31, 2019 and 2020. As of December 31, 2021 and 2022 and April 30, 2023, we had outstanding bank borrowings in the amounts of RMB20.0 million, RMB15.0 million and RMB13.3 million, respectively, which arose from the mortgage loan entered into in January 2021 for the purchase of staff quarters from Kunshan Jiabao.

As at April 30, 2023, being the latest practicable date for the purpose of the indebtedness statement, we did not have any unutilized banking facilities.

Lease liabilities

The following table shows the lease liabilities as of the dates indicated:

| | As of December 31, | | | | As of |
|--------------------------|---------------------------|--------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 | April 30, |
| | | | | | 2023 |
| | <i>(in RMB thousands)</i> | | | | |
| | | | | | (unaudited) |
| Lease liabilities | | | | | |
| Current | 1,013 | 1,573 | 3,281 | 1,872 | 1,153 |
| Non-current | 1,484 | 1,409 | 1,035 | 220 | 98 |
| Total | 2,497 | 2,982 | 4,316 | 2,092 | 1,251 |

We recognized total lease liabilities of RMB2.5 million, RMB3.0 million, RMB4.3 million, RMB2.1 million and RMB1.3 million as of December 31, 2019, 2020, 2021, 2022 and April 30, 2023, respectively. The continuous increase of lease liabilities from 2019 to 2021 was mainly due to the new rental agreements that we entered into. Our lease liabilities decreased to RMB2.1 million and RMB1.3 million as of December 31, 2022 and April 30, 2023, respectively mainly due to the early termination of one of our leases in 2022. For further information regarding our lease liabilities, please refer to Note 26 to the Accountant's Report in Appendix I to this prospectus.

Financial instrument with redemption rights

Pursuant to the investment agreement entered into between Bradbury and us, we maybe required by Bradbury to repurchase all our Shares held by Bradbury if, among others, our Shares fail to list on the Stock Exchange on or before December 31, 2021. Should Bradbury decide to exercise such redemption right, we will be required to repurchase such Shares at an aggregate consideration of HK\$200,000,000, being the consideration paid by Bradbury for the Pre-IPO

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Investment. As the repurchase option given to Bradbury is an unavoidable obligation of our Group, the investment from Bradbury was regarded as financial instruments with redemption rights instead of an equity. As of December 31, 2022 and April 30, 2023, the financial instrument with redemption rights amounted to RMB178.7 million and RMB176.4 million, respectively. The redemption rights of Bradbury was suspended immediately prior to the submission of our Listing application and remained suspended as at the Latest Practicable Date. For details, please refer to the section headed “History, Development and Reorganization – Pre-IPO investments – Special rights granted to the Pre-IPO Investors” in this prospectus.

Our Directors confirm that, as of the Latest Practicable Date, there is no material changes in our indebtedness since April 30, 2023.

CONTINGENT LIABILITIES

We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we are involved in such material legal proceedings, we would record any loss or contingency when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures mainly consisted of the payments for property, plant and equipment and intangible assets. For the years ended December 31, 2019, 2020, 2021 and 2022, our total capital expenditures amounted to RMB1.2 million, RMB56.1 million, RMB54.4 million and RMB9.7 million, respectively. During the Track Record Period, we financed our capital expenditures primarily with our cash and cash equivalents and cash flows from our operating activities and financing activities, such as cash advance from related companies, bank borrowings and proceeds from issuance of ordinary shares to a pre-IPO investor. We plan to fund our planned capital expenditures using cash generated from operating activities and net proceeds received from the Global Offering. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for more details. We will continue to make capital expenditures to support the growth of our business. We may reallocate the funds to be utilized on capital expenditures based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

We did not have any significant capital commitments outstanding as of December 31, 2019, 2020, 2021 and 2022.

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OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Generally, we are exposed to various types of financial risks, including foreign exchange risk, cash flow and fair value interest rate risk, price risk, credit risk and liquidity risk.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. The consolidated financial statements are presented in Renminbi, which is our Company's functional currency and our presentation currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures, wherever possible.

We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that the business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our operating entities. We did not hedge against any fluctuation in foreign currency during the Track Record Period.

During the Track Record Period, we recognized total net foreign exchange gains of RMB34,000 and RMB3.6 million for the years ended December 31, 2020 and 2021, respectively, and net foreign loss of RMB9.9 million for the year ended December 31, 2022.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 20 to the Accountant's Report in Appendix I to this prospectus. Our Directors do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of interest-bearing assets are not expected to change significantly.

We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements.

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Price risk

We are exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in wealth management products. To manage its price risk arising from the investments, we diversify its investment portfolio. The sensitivity analysis is performed by our management, please refer to Note 3.3(a) to the Accountant's Report in Appendix I to this prospectus for details.

Credit risk

Credit risk is managed on a group basis. The credit risk of us mainly arises from financial assets, cash and cash equivalents, restricted cash deposits and trade and other receivables. The carrying amounts of these balances represent our maximum exposure to credit risk in relation to these assets.

In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our credit risk is significantly reduced.

We have two types of financial assets that are subject to HKFRS 9's new expected credit loss model, including trade receivables and long-term receivables and other receivables. While cash and cash equivalents, other financial assets at amortized cost and bills receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial. Our management has assessed the expected credit losses based on the background and reputation of the customers, historical settlement records and past experience. Our management also considered the default rates and loss given default from external rating agency report and forward-looking information that may impact the customers' ability to repay the outstanding balances. Trade receivables and relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

On that basis, the loss allowance as of December 31, 2019, 2020, 2021 and 2022 was determined for trade receivables and other receivables.

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Liquidity risk

To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The table below analyzes our financial liabilities into relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | On demand or less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|--|----------------------------------|----------------------------------|----------------|
| | <i>(in RMB thousands)</i> | | | |
| As of December 31, 2019 | | | | |
| Trade and other payables ⁽¹⁾ | 122,416 | – | – | 122,416 |
| Lease liabilities | 1,125 | 665 | 980 | 2,770 |
| Total | 123,541 | 665 | 980 | 125,186 |
| As of December 31, 2020 | | | | |
| Trade and other payables ⁽¹⁾ | 53,856 | – | – | 53,856 |
| Lease liabilities | 1,843 | 981 | 377 | 3,201 |
| Total | 55,699 | 981 | 377 | 57,057 |

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| | On demand or less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|--|----------------------------------|----------------------------------|----------------|
| | <i>(in RMB thousands)</i> | | | |
| As of December 31, 2021 | | | | |
| Trade and other payables ⁽¹⁾ | 30,378 | – | – | 30,378 |
| Borrowing and interest payables | 6,023 | 5,734 | 10,603 | 22,360 |
| Lease liabilities | 3,694 | 1,203 | – | 4,897 |
| Financial instrument with redemption rights | 163,520 | – | – | 163,520 |
| Total | 203,615 | 6,937 | 10,603 | 221,155 |
| As of December 31, 2022 | | | | |
| Trade and other payables ⁽¹⁾ | 45,952 | – | – | 45,952 |
| Borrowings and interest payables | 5,734 | 5,447 | 5,156 | 16,337 |
| Lease liabilities | 2,059 | 231 | – | 2,290 |
| Financial instrument with redemption rights | 178,654 | – | – | 178,654 |
| Total | 232,399 | 5,678 | 5,156 | 243,233 |

Note:

(1) Excluding salaries and staff welfare payable and other taxes payable.

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PROPERTY VALUATION

As at the Latest Practicable Date, we had interests in two properties located in Kunshan City in Jiangsu Province of the PRC, which were being used or expected to be used as our staff quarter and office premises. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as of March 31, 2023. For details, please refer to the property valuation report in Appendix III to this prospectus.

The following table sets forth the reconciliation of the carrying values of our property interests as of December 31, 2022 as reflected in our consolidated financial statements included in Appendix I to this prospectus; and the market value of such property interests as of March 31, 2023 as disclosed in the property valuation report (the “**Valuation Report**”) in Appendix III to this prospectus.

| | |
|---|-----------------------|
| | <i>RMB'000</i> |
| Net book value of our property interests as of December 31, 2022 | |
| (audited) | |
| Buildings included in property, plant and equipment | 53,399 |
| Prepayments for purchase of office premises ^(Note 1) | <u>50,421</u> |
| | 103,820 |
| Movement during the period from December 31, 2022 to | |
| March 31, 2023 (unaudited) | |
| Less: Depreciation (unaudited) | <u>(409)</u> |
| Net book value of our property interests as of March 31, 2023 | |
| (unaudited) | 103,411 |
| Add: Valuation surplus before tax | <u>4,589</u> |
| Market value of our property interests as of March 31, 2023 | |
| as set forth in the Valuation Report^(Note 2) | <u><u>108,000</u></u> |

Notes:

1. As of December 31, 2022, the properties to be used as our office premises (the “**Office Premises**”) have not been delivered to us, therefore, the net book value of such properties were recorded as prepayments under other non-current assets of our consolidated financial statements for 2022.
2. As of March 31, 2023, the title of the Office Premises has not been vested with us, and therefore, no commercial value was attributable to the Office Premises in the Valuation Report. Based on the Valuation Report, the market value of the Office Premises as of March 31, 2023 was estimated to be RMB52.0 million, on the assumption that the relevant title certificates have been obtained and we were entitled to freely transfer, lease, mortgage or otherwise dispose of such property.

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DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

Dividend policy

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. The PRC laws require that dividends be paid only out of the profit for the year calculated according to the PRC accounting principles, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. During the Track Record Period, we declared dividends of HK\$20,000,000 to our Shareholders. In addition, on June 13, 2023, we declared a special dividend of HK\$60.0 million to our then Shareholders which is expected to be paid before the Listing. We do not have any dividend policy and, save for the abovementioned special dividend, we have no present plan to pay any dividends to our Shareholders in the foreseeable future. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. As advised by our legal advisors on Cayman Islands law, under Cayman Islands law, dividends may be paid out of profits or the credit standing in our share premium account, and a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders, as dividends may still be declared and paid out of the credit standing in our share premium account notwithstanding our profitability, provided that immediately after payment of such dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Board will take into account of the following factors when determining whether dividends are to be declared and paid:

- our result of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- relevant legal requirements; and
- other factors that the Board may deem relevant.

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Distributable reserves

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 3, 2020. Please refer to Notes 24 and 25 to the Accountant's Report as set out in Appendix I to this prospectus for details of our Company's reserves.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing and the Global Offering. Based on the Offer Price of HK\$4.25 per Offer Share, the total Listing expenses (including underwriting commissions) estimated to be approximately RMB87.4 million, and represent approximately 18.4% of the gross proceeds from the Global Offering. Among the total listing expenses, approximately RMB78.4 million is expected to be borne by us and approximately RMB9.0 million is expected to be borne by the Selling Shareholder. Listing expenses to be borne by us include (i) underwriting commission of approximately RMB14.7 million, and (ii) non-underwriting related expenses of approximately RMB63.7 million, which consist of (a) fees and expenses of the sole sponsor, legal advisors and Reporting Accountant of approximately RMB40.9 million; and (b) other fees and expenses of approximately RMB22.8 million.

Up to December 31, 2022, we have incurred RMB36.8 million as Listing expenses for the Global Offering, of which RMB28.5 million was charged to our consolidated statements of comprehensive income and RMB8.3 million was recorded as prepayment in the consolidated statement of financial position will be accounted for as a deduction from our equity upon the Listing. We estimate that an additional Listing expenses of RMB41.6 million (including underwriting commissions of RMB14.7 million, assuming the Over-allotment Option is not exercised), will be further incurred by us, of which RMB30.4 million is expected to be charged to our consolidated statement of comprehensive income and RMB11.2 million is expected to be charged against equity upon the Listing. Our Directors do not expect such expenses to materially impact our results of operations.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the Shareholders of the Company as of December 31, 2022 as if the Global Offering had taken place on December 31, 2022, assuming the Over-allotment Option is not exercised.

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This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2022 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at December 31, 2022 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

| Audited consolidated net tangible assets of the Group attributable to Shareholders of the Company as at December 31, 2022 | Estimated impact to the consolidated net tangible assets relating to termination of the redemption right upon the Global Offering | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted net tangible assets attributable to Shareholders of the Company as at December 31, 2022 | Unaudited pro forma adjusted net tangible assets per Share | |
|---|---|--|---|---|--------------------------------|
| <i>RMB'000</i> <i>(Note 1)</i> | <i>RMB'000</i> <i>(Note 2)</i> | <i>RMB'000</i> <i>(Note 3)</i> | <i>RMB'000</i> | <i>RMB</i> <i>(Note 4)</i> | <i>HK\$</i> <i>(Note 5)</i> |
| 229,670 | 178,654 | 244,371 | 652,695 | 0.82 | 0.93 |

Based on an Offer
Price of HK\$4.25
per Share

Notes:

- (1) The audited consolidated net tangible assets attributable to Shareholders of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to Shareholders of the Company as at December 31, 2022 of RMB233,542,000 with an adjustment for the intangible assets attributable to Shareholders of the Company as at December 31, 2022 of RMB3,872,000 (excluding the portion of the intangible assets attributable to the non-controlling interests of the Group of RMB6,000).
- (2) Under the pre-IPO investment agreement with Bradbury Private Investment III Inc. ("**Bradbury**"), Bradbury was granted with a redemption right pursuant to which the Company shall repurchase all the shares from Bradbury if our Shares fails to be listed on the Main Board of the Stock Exchange on or before December 31, 2021. In accordance with the pre-IPO investment agreement, the redemption right was suspended immediately prior to the Company's submission of the listing application and would be restored automatically upon the earlier of the withdrawal of the Company's listing application, the Company's listing application being rejected, or the Company's listing process being terminated or listing application has lapsed for any reason. Such redemption right is recognized as a financial liability in the consolidated statement of financial position as at December 31, 2022, as set out in Appendix I to this prospectus. The redemption right will be terminated automatically upon the Global Offering. Accordingly, for the purpose of the unaudited pro forma statement of adjusted net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders of the Company have been increased by RMB178,654,000, being the carrying amount of the financial instrument with redemption rights as at December 31, 2022.

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- (3) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$4.25 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (exclude those Listing expenses of approximately RMB28,487,000 which have been accounted for in the consolidated statements of comprehensive income prior to December 31, 2022) and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering have been completed on December 31, 2022 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandate.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8805. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2022. In particular, the above unaudited pro forma adjusted net tangible assets have not been taken into account the special dividend of HK\$60,000,000 declared by the Board of Director of the Company on June 13, 2023. Had the special dividend of HK\$60,000,000 been declared on December 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at December 31, 2022 would be approximately RMB599,865,000 while the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at December 31, 2022 would be RMB0.75 (equivalent to HK\$0.85).

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including existing borrowings, cash and cash equivalents, cash generated from operations and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements, that is, for at least in the next 12 months from the date of this prospectus.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2022, being the end date of the periods reported in the Accountant's Report included in Appendix I to this prospectus, and there is no event since December 31, 2022 which would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

We intend to expand our business in line with the strategies set out in the section headed “Business – Our strategies and future plans” of this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering and based on the Offer Price of HK\$4.25 per Offer Share, will be approximately HK\$245.2 million, assuming that the Over-allotment Option is not exercised.

The table below sets forth the expected implementation timetable of the planned use of our proceeds:

| | For the years ending December 31, | | | Total |
|--|-----------------------------------|-------------|-------------|-------------|
| | 2023 | 2024 | 2025 | |
| | <i>(HKD in millions)</i> | | | |
| Diversification of product portfolio | 5.0 | 24.2 | 29.2 | 58.4 |
| Research and development of food and beverages | – | 8.9 | 12.2 | 21.1 |
| Research and development of skincare products | – | 8.9 | 10.5 | 19.4 |
| Research and development of other new product lines | 2.9 | 3.6 | 3.7 | 10.2 |
| Research and development of products associated with proprietary IPs | 2.1 | 2.8 | 2.8 | 7.7 |
| Increase brand exposure and product sales on MCN | 2.9 | 26.0 | 46.2 | 75.1 |
| Cooperation with selected KOLs and/or placement of sale-based advertisement in KOLs’ E-commerce Livestreaming sessions | – | 14.3 | 28.6 | 42.9 |
| Development of proprietary Livestreaming programs and cultivation of KOLs and KOCs | 2.9 | 11.7 | 17.6 | 32.2 |
| Creation of unique celebrity IPs and associated IP contents | – | 34.1 | 34.0 | 68.1 |
| IP content creation | – | 22.7 | 22.7 | 45.4 |
| Event planning | – | 11.4 | 11.3 | 22.7 |
| Upgrade of our IT infrastructure and increase investment in IT development | 3.6 | 9.6 | 17.0 | 30.2 |
| Working capital | 2.6 | 5.4 | 5.4 | 13.4 |
| Total | 14.1 | 99.3 | 131.8 | 245.2 |

FUTURE PLANS AND USE OF PROCEEDS

We intend to use such net proceeds that we will receive from the Global Offering for the following purposes:

- (1) Approximately HK\$58.4 million (equivalent to approximately RMB51.4 million), representing 23.8% of the net proceeds from the Global Offering, will be used to diversify our product portfolio. During the Track Record Period, our revenue was primarily generated from the sale of *MODONG* coffee, being our major product since its nationwide distribution in 2019. Going forward, we believe that in order to further strengthen our growth, our product offerings shall be diversified to appeal to a broadening demographic of end consumers and distribution channels. With the expansion in our R&D capabilities and collaboration with third party institutes, we plan to further launch no fewer than 30 food and beverages and 30 skincare products in the three years ending December 31, 2025. Please refer to the section headed “Business – Our strategies and future plans” for further details. In particular, our plan for the diversification of our product portfolio include:
 - approximately HK\$21.1 million (equivalent to approximately RMB18.6 million), representing 8.6% of the net proceeds from the Global Offering will be used for research and development of food and beverages, in particular health management or low-carb food and beverages by strengthening our abilities in basic research, applied research and product innovation through methods such as cooperation with research institutes on the research and development of formulas, ingredients, food processing techniques, and research on the nutritional and health benefits of different ingredients or products, and expansion of in-house research and development work force and equipment. In particular, we plan to:
 - (a) incur RMB9.7 million in aggregate for the coming three years to further employ seven employees in 2023 focusing on our research and development of food and drinks;
 - (b) spend approximately RMB1.5 million, RMB2.2 million and RMB3.7 million to purchase equipment and raw materials in the years ending December 31, 2023, 2024 and 2025, respectively, such as sterilizers, centrifuge and viscometer, which are equipment used in food applications; and
 - (c) continue our cooperation with Hengmei Group and other institutes for some of our pipeline products and we expect to incur RMB1.5 million, RMB2.5 million and RMB3.4 million for each of the years ending December 31, 2023, 2024 and 2025, respectively, for such cooperations, quality testings and other ancillary expenses. For example, we are in discussions with universities that have food science and technology departments, which possess technologies in developing ingredients for pre-packaged food and other technologies related to our business that would enable us to enhance our existing product offerings. With the assistance and input from such institutes, we aim to develop food products which are competitive and distinct in terms of taste and nutritional value or function, and such characteristics would make us more differentiable and more difficult for our

FUTURE PLANS AND USE OF PROCEEDS

competitors or infringers to mimic our products. In cooperating with those institutes, we will enter into both technology development and/or technology service contracts with the respective institutes, whereby the fee to be paid for such cooperations shall be determined on an arm's length and case-by-case basis, and the resulting technological outcomes developed thereunder and the intellectual property rights contained therein would either be co-owned by our Group and the institute, or owned by the institute whereby we reserve the right to implement such technologies in our products.

Our total spending in this connection during the year from 2023 to 2025 is expected to be approximately HK\$27.8 million, of which HK\$21.1 million will be met by the net proceeds and HK\$6.7 million will be met by our internal resources or external financing (if necessary). As of the Latest Practicable Date, we commenced research and development of a variety of pipeline products which will be gradually rolled out based on our business plans. For details about our pipeline products, please refer to the section headed "Business – Our business – New retail business – Pipeline products" in this prospectus;

- approximately HK\$19.4 million (equivalent to approximately RMB17.1 million), representing 7.9% of the net proceeds from the Global Offering will be used for research and development of skincare products, including cooperation with research institutes on the research and development of recipes or ingredients, and expansion of in-house research and development work force and equipment. In particular, we plan to:
 - (a) incur RMB9.1 million in aggregate for the coming three years to further employ four and two employees in each of the years ending December 31, 2023 and 2024, respectively, focusing on our research and development of skincare products;
 - (b) incur approximately RMB1.5 million to cooperate with well-known research institutes, OEMs and other companies to develop active ingredients for our skincare products which are more unique. For example, during the Track Record Period, we cooperated with scientists and developed certain of our skincare products under *Dr.mg* sub-brand, which used a type of collagen produced through the recombinant method. We will continuously develop and launch new products under our current brands *Chaxiaojie* and *Dr.mg* and new brands that will be introduced in the future to encourage recurring purchase by our customers and end consumers; and
 - (c) explore various opportunities with third party institutions such as universities, cosmetics and beauty solution providers and testing organizations in relation to research and development of formulas and testing of cosmetics and beauty products. RMB2.5 million, RMB3.7 million and RMB4.7 million is expected to be incurred in research and development of new products, which include (i) preliminary development cost for

FUTURE PLANS AND USE OF PROCEEDS

research of market comparable, formula evaluation, and designing of packaging material, (ii) research and test cost for trial production and conducting surveys through consumer trial survey, (iii) testing cost, and (iv) fees paid to third parties to verify the product's efficacy such as toxicology test, clinical trials and consumer survey and testing equipment of our research and development department in each of the years ending December 31, 2023, 2024 and 2025, which are primarily used to measure, compare and evaluate the properties of each product and to ensure that the skincare products are safe and effective.

Our total spending in this connection during the year from 2023 to 2025 is expected to be approximately HK\$24.4 million, of which HK\$19.4 million will be met by the net proceeds and HK\$5.0 million will be met by our internal resources or external financing (if necessary);

- approximately HK\$10.2 million (equivalent to approximately RMB9.0 million), representing 4.2% of the net proceeds from the Global Offering will be used for research and development of other new product lines. We plan to diversify our product offerings to other categories, such as pet food, pet toys, early child education and other related products. We will recruit four new employees in 2023 to explore our options for diversification, and the total costs for such new hires will be RMB5.5 million in aggregate for the coming three years. Expenses of RMB3.5 million will also be incurred for other expenses, including testing and consumer survey, and sampling in the coming three years; and
 - approximately HK\$7.7 million (equivalent to approximately RMB6.8 million), representing 3.1% of the net proceeds from the Global Offering will be used for research and development of products associated with proprietary IPs. Based on our existing IPs and resources, such as our cooperation with Mr. Fang and our ownership of the *ChouMate* and *Chaxiaojie* trademarks, we plan to build on and create new product varieties based on them, such as creative or cultural products with strong traditional Chinese characteristics, including tea, pottery and traditional Chinese clothing which are interlinked with poetry and calligraphy created by Mr. Fang. We will recruit three new employees in 2023 to explore our options for diversification, and the total cost for such new hires will be RMB3.9 million in aggregate for the three years ending December 31, 2025. Expenses of RMB2.9 million will also be incurred for research and development and the registration of IPs, sampling and marketing in the three years ending December 31, 2025.
- (2) Approximately HK\$75.1 million (equivalent to approximately RMB66.1 million), representing 30.6% of the net proceeds from the Global Offering, will be used to increase our brand awareness and drive product sales on MCN, in particular:
- approximately HK\$42.9 million (equivalent to approximately RMB37.8 million), representing 17.5% of the net proceeds from the Global Offering will be used for cooperation with selected KOLs and/or placement of sale-based advertisement in

FUTURE PLANS AND USE OF PROCEEDS

KOLs' E-commerce Livestreaming sessions. Following the introduction of e-commerce features and one-stop online shopping businesses on online video platforms, popular streamers and KOLs on these platforms can more effectively introduce the products to a wider group of end consumers by providing them with immersive shopping experience. We believe the recent tightening of regulations on the Livestreaming market will improve the quality of its contents and content providers and enhance its credibility among consumers. As such, quality and law-biding influencers and streamers will benefit from such policy changes in the long run.

We plan to spend approximately RMB25.2 million and RMB18.9 million to cooperate with top-tier livestreamers (livestreamers with over 10 million followers) and second-tier livestreamers (livestreamers with five to 10 million followers), respectively. Our Directors are of the view that livestreamers in the PRC typically charge a fixed fee for a "slot" on each E-commerce Livestreaming sessions, plus a certain percentage commission fee from the total sale generated from such slot. Each slot normally involve the promotion of one product and there could be more than one slot in each E-commerce Livestreaming session. Some livestreamers may also charge on hourly basis. In 2021, we have engaged a famous fashion influencer in the PRC for a E-commerce Livestreaming session for our products at a total cost of RMB380,000. Based on the preliminary quotations obtained by us, fixed fees for one E-commerce Livestreaming slot generally range from RMB100,000 to RMB350,000 for livestreamers with more than 10 million followers and RMB50,000 to RMB100,000 with five to 10 million followers, respectively. For each of the years ending December 31, 2023, 2024 and 2025, we expect to incur RMB3.6 million, RMB7.2 million and RMB14.4 million, respectively, to acquire not less than 30, 60 and 120 E-commerce Livestreaming slots, respectively, from top-tier livestreamers; and we expect to incur RMB2.7 million, RMB5.4 million and RMB10.8 million, respectively, to acquire not less than 30, 60 and 120 E-commerce Livestreaming slots, respectively, from second-tier livestreamers. As each E-commerce Livestreaming slot offered by the famous livestreamers normally only involve the promotion of one product, assuming that, for illustrative purpose, we will organize E-commerce Livestreaming sessions for the promotion of three to nine products on a weekly basis, we expect to acquire around five to 20 E-commerce Livestreaming slots in each month, and approximately 60 to 240 E-commerce Livestreaming slots per year. The actual schedule of the upcoming Livestreaming sessions would be subject to various factors. For example, we may arrange additional E-commerce Livestreaming sessions when there are special events such as launch of new products, festivals and other promotional activities.

Taking into account the expected expansion of our product offerings and the number of new products to be introduced, and given the expected expansion of our product offerings, we consider the estimated number of E-commerce Livestreaming slots to be acquired by us in the coming three years to be fair and reasonable and in line with our business growth. We may enter into regular cooperation with the second-tier livestreamers by entering into long term

FUTURE PLANS AND USE OF PROCEEDS

framework agreements, which may set out the platform(s) and account(s) on which E-commerce Livestreaming session will be held, the mechanism in determining the fees payable by us for E-commerce Livestreaming slots to be provided to our products, payment terms and other terms to be agreed between the parties. We believe our close cooperation with such a large group of KOLs can help us to increase marketing efficiency and effectiveness as well as our brand value, and in return we can grant them license to use our celebrity IPs such as *ChouMate* and/or provide them with opportunities to promote their channels in association with the celebrities we collaborate with or our proprietary IPs to help them sustain their popularity and attract more followers. We intend to increase our efforts to drive product sales on MCN after our Listing as such strategy requires substantial upfront cost within a short period of time. However, once we are able to establish our presence in such marketing channels, we can strengthen our positioning among existing consumers and attract new ones, especially young people keen on such new shopping formats and experiences. Our total spending in this connection during the year from 2024 to 2025 is expected to be approximately HK\$50.1 million, of which HK\$42.9 million will be met by the net proceeds and HK\$7.2 million will be met by our internal resources or external financing (if necessary); and

- approximately HK\$32.2 million (equivalent to approximately RMB28.4 million), representing 13.1% of the net proceeds from the Global Offering will be used for developing our own Livestreaming programs, including operating Livestreaming accounts and creating Livestreaming contents, and cultivating KOLs and KOCs for product promotion purposes. We plan to:
 - (a) incur approximately RMB14.2 million to conduct Livestreaming through our proprietary social media accounts. We intend to carry out such activities in three, six and nine of our proprietary accounts in the next three years. Such funds will be used to produce up to 40 videos and/or Livestreaming sessions for each proprietary account each year, which is used to attract audience for the marketing and promotion of our proprietary IPs and products; and
 - (b) spend approximately RMB14.2 million in aggregate to cultivate three new proprietary KOL accounts in each of the next three years to amplify our advertising messages and marketing and promotional effort. We plan to incubate KOLs on our own through cooperation with celebrities or from our existing distribution network as we are able to better understand their previous behavior and activities on social media, making it easier for us to identify those who are more popular among our target end consumers and conform with our brand image. Based on the support, guidance and training given to them, these KOLs and KOCs cultivated by us could host their own E-commerce Livestreaming sessions to promote and sell our products and those supplied by other business partners.

FUTURE PLANS AND USE OF PROCEEDS

- (3) Approximately HK\$68.1 million (equivalent to approximately RMB60.0 million), representing 27.8% of the net proceeds from the Global Offering, will be used for the creation of unique celebrity IPs and associated IP contents, and more specifically:
- approximately HK\$45.4 million (equivalent to approximately RMB40.0 million), representing 18.5% of the net proceeds from the Global Offering will be used for IP content creations on various medias. It can be entertainment shows on traditional media, including future seasons and episodes of *J-Style Trip*. We expect to spend approximately RMB30 million for each of the years ending December 31, 2024 and 2025 on shooting one season of *J-Style Trip* or other programs with similar cast or production budget each year, totaling RMB60.0 million in the next three years. Such amount was determined with reference to the cost incurred by us in planning *J-Style Trip* season one which was approximately RMB106 million, and was discounted as we identified certain areas which could be more economical based on our previous experience and any shortfall will be satisfied by our internal resources or external financing (if necessary).
 - approximately HK\$22.7 million (equivalent to approximately RMB20.0 million), representing 9.3% of the net proceeds from the Global Offering will be used for event planning, including the planning of two Superstar Performance Mega Nights each year in the years ending December 31, 2024 and 2025, which typically require initial investment of up to RMB10 million per concert, including pre-payments required to secure the performance of celebrities, venue, audio and lighting equipment, and stage engineering operations. Such amount was determined with reference to scale and the expenses incurred for the Zhanjiang Superstar Concert and the Ningbo Superstar Performance Mega Night. These concerts previously proved to be good opportunities for us to increase our brands' exposure and boost sales for our new retail operations. We can also coordinate our own promotional activities in connection with these concerts. Our total spending in this connection during the year from 2024 to 2025 is expected to be approximately HK\$46.4 million, of which HK\$22.7 million will be met by the net proceeds and HK\$23.7 million will be met by our internal resources or external financing (if necessary).
- (4) Approximately HK\$30.2 million (equivalent to approximately RMB26.6 million), representing 12.3% of the net proceeds from the Global Offering will be used for upgrading our IT infrastructure and increase investment in IT development. We plan to spend:
- (i) approximately RMB11.0 million to employ approximately six, three and one additional IT professionals for our internal IT development team in each of the three years ending December 31, 2025, who will be mainly responsible for the development of our project management and database management software and digital prototype designs. Such employment plans would be necessary in light of the increased product offerings and the ancillary sales and marketing activities to

FUTURE PLANS AND USE OF PROCEEDS

be conducted by our Group, complementarily supporting the various IT technical needs and requirements as demanded by these products and activities from time to time;

- (ii) approximately RMB14.0 million to be expensed in the three years ending December 31, 2025, based on the fees quoted by third-party information technology solutions providers for ERP system implementation, for the implementation of an ERP system which will integrate our operational management and financial management functions and improve our operational efficiency, enhance our ability to perform information analysis to support our business growth, monitor and control supply chain-related matters and improve budget control and perform cost analysis. In light of our expansion plans, the ERP system which facilitates a high-level systemic integration of our various management systems would be necessary to enhance our future business operations. With the expected increase of pipeline products to be sold and the consequent increase of distributorship networks, the ERP system can enable an accurate and synchronized aggregation of various data on an automatic basis, therefore reducing inaccuracies which can promote our business sustainability in the long term. The implementation of the ERP system will be completed in phases and is expected to be completed in 2025; and
- (iii) approximately RMB1.6 million in aggregate of the three years ending December 31, 2025 for the purchase of hardware such as computers and development and testing equipment, software such as office automation system, customer service system, data management system, financial management system and other daily business resolution software, as well as other miscellaneous expenses.

We believe the above investments in hardware and software are essential to accommodate our planned business expansion and expected increase in headcount, taking into consideration our existing IT systems are relatively basic and may not be able to support our expected expansion of distribution channels, increase in sales orders and product diversity. We also expect the said investments to empower our internal financial management to process a larger volume of transactions going forward.

- (5) Approximately HK\$13.4 million (equivalent to approximately RMB11.8 million), representing 5.5% of the net proceeds from the Global Offering, will be used for working capital.

If the Over-allotment Option is exercised in full, the net proceeds we will receive from the Global Offering will increase to approximately HK\$321.9 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Sale Shares, being an aggregate of 48,000,000 Shares, based on the Offer Price of HK\$4.25 per Offer Share, would be approximately HK\$193.8 million after deducting the estimated underwriting commission. The net proceeds of the Sale Shares will be attributable to the Selling Shareholder only and will not belong to the Company.

The implementation timeframe for our use of proceeds will be determined with reference to (i) the capital needs of our various businesses; (ii) the development plans, nature and actual progress of the relevant projects; and (iii) the stage of negotiation process of our investments and acquisitions, and will be adjusted from time to time in accordance with our business needs.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we will only hold such funds in short term interest-bearing deposits with authorized financial institutions and/or licensed banks (as defined under the SFO or applicable laws and regulations in the PRC). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of approximately US\$18.0 million (approximately HK\$140.0 million) (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$4.25, being the Offer Price, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 26,061,500 Offer Shares, representing approximately (i) 20.6% of the Offer Shares (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes), (ii) 17.9% of the Offer Shares (assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes), (iii) 3.3% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes), and (iv) 3.2% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option (without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes).

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around July 12, 2023.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial shareholder of our Company, nor will the Cornerstone Investors have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements as compared with other public Shareholders, and none of the Cornerstone Investors, or any of their affiliates, directors, officers, employees, agents or representatives, has accepted or entered into any agreement or arrangement to accept any direct or indirect benefits by side letter or otherwise, from our Company, any member of our Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering or otherwise has engaged in any conduct or activity inconsistent with, or in

CORNERSTONE INVESTORS

contravention of, Guidance Letter HKEX-GL51-13. As confirmed by each of the Cornerstone Investors, (i) their respective subscription under the Cornerstone Placing would be financed by its/his internal resources; and (ii) all necessary approvals have been obtained in connection with its subscription of the relevant Offer Shares with respect to the Cornerstone Placing.

Pursuant to Rule 8.08(3) of the Listing Rules, no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders of our Shares. Based on the Offer Price, the total number of Shares to be allocated to the Cornerstone Investors, will be 26,061,500 Offer Shares, representing approximately 20.6% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 3.3% of our Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), and therefore satisfying the requirement under Rule 8.08(3) of the Listing Rules.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering as described in the paragraph headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this prospectus. For details of the Over-allotment Option, please refer to the paragraph headed “Structure of the Global Offering – Over-allotment and Stabilization” in this prospectus.

There will not be delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and payment for the Offer Shares to be subscribed by the Cornerstone Investors will be settled on or before the Listing.

The following table summarizes the details of the Cornerstone Placing:

| | Based on the Offer Price | | | | | |
|-------------|--------------------------|---|--|--|--|--|
| | Investment Amount | Number of Offer Shares to be subscribed ⁽¹⁾⁽²⁾ | Assuming the Over-allotment Option is not exercised (without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes) | | Assuming the Over-allotment Option is exercised in full (without taking into account any Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes) | |
| | | | Percentage of the Offer Shares | Percentage of Shares in issue immediately upon completion of the Global Offering | Percentage of the Offer Shares | Percentage of Shares in issue immediately upon completion of the Global Offering |
| Blink Field | US\$15 million | 20,570,000 ⁽³⁾ | 16.2% | 2.6% | 14.1% | 2.5% |
| NetDragon | US\$3 million | 5,491,500 | 4.3% | 0.7% | 3.8% | 0.7% |

CORNERSTONE INVESTORS

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 500 Shares.
- (2) Calculated based on the exchange rate of US\$1.00:HK\$7.78 as set out in the section headed “Information about this prospectus and the Global Offering” in this prospectus.
- (3) No more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by our three largest public Shareholders pursuant to Rule 8.08(3) of the Listing Rules. The total number of our Shares upon Listing in public hands will be 212,139,002 Shares (assuming the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the Options under the Share Option Schemes), and since Mr. Ho and Bradbury who will be interested in 45,513,546 and 39,985,456 Shares upon Listing, respectively, will be our two largest public Shareholders, hence, Blink Field, which is expected to be our third largest public Shareholder cannot subscribe more than 20,570,000 Offer Shares (after rounding down to the nearest whole board lot of 500 Shares). As a result, the number of Offer Shares allocated to Blink Field was adjusted by the Sole Sponsor, the Sole Overall Coordinator and our Company according to their right under the Cornerstone Investment Agreement. Based on the Offer Price, the final investment amount to be paid by Blink Field will be adjusted downwards to approximately US\$11.2 million (being the US dollar equivalent of approximately HK\$87.4 million), and surplus investment amount will be returned to Blink Field.

OUR CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Blink Field

Blink Field Limited (“**Blink Field**”) is a company established in the BVI with limited liability and wholly-owned by Mr. Zhang Yuan. As confirmed by Blink Field, it has obtained all necessary approvals to invest in our Company.

We became acquainted with Mr. Zhang Yuan in the ordinary course of business through our business network.

Mr. Zhang Yuan has substantial investment experience and, among others, each of Jiangsu Bubugao Properties Limited* (江蘇步步高置業有限公司) (a company established in the PRC with limited liability, the registered capital of which amounted to approximately RMB1,762 million as of the Latest Practicable Date), and Suzhou Bubugao Investment and Development Limited* (蘇州步步高投資發展有限公司) (a company established in the PRC with limited liability, the registered capital of which amounted to RMB916 million as of the Latest Practicable Date), being companies principally engaged in property development is a 30%-controlled company of Mr. Zhang Yuan.

2. NetDragon

NETDRAGON WEBSOFT INC. (“**NetDragon**”) is a company incorporated in the BVI with limited liability and was founded in 2003. NetDragon is a wholly-owned subsidiary of NetDragon Websoft Holdings Limited, a company listed on the Stock Exchange (stock code:

CORNERSTONE INVESTORS

777). NetDragon Websoft Holdings Limited is principally engaged in online and mobile games development, including games design, programming and graphics and online and mobile games operation, education business, mobile solution, products and marketing business and property project business. As confirmed by NetDragon, NetDragon Websoft Holdings Limited does not require approval from the Stock Exchange or its shareholders to invest in our Company.

We became acquainted with NetDragon in the ordinary course of business through our business network.

We are of the view that, leveraging on the Cornerstone Investors' background, the Cornerstone Placing will help to raise the profile of our Company. We also believe it shows that such investor has confidence in our business and prospect which will further strengthen the confidence of our investors and customers in our business and prospectus.

To our best knowledge, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person; (ii) each of the Cornerstone Investors is not accustomed to taking instructions in relation to, amongst others, the acquisition, disposal, voting or other disposition of the Offer Shares from our Company or any of its subsidiaries, Directors, our chief executive, Controlling Shareholders, substantial shareholders or existing Shareholders, or their respective close associates; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by our Company or its subsidiaries, Directors, our chief executive, Controlling Shareholders, substantial shareholders or existing Shareholders, or their respective close associates.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;
- (b) the Offer Price having been agreed upon between the Company, the Selling Shareholder and the Sole Overall Coordinator (for itself and on behalf of the Underwriters);
- (c) the Listing Committee having granted the approval for the listing of, and permission to deal in, our Shares (including the Offer Shares agreed to be subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

CORNERSTONE INVESTORS

- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or therein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, confirmations and acknowledgement of the Company, the Cornerstone Investors and/or the Guarantor (as the case may be) under the respective Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Company, Cornerstone Investors and/or the Guarantor (as the case may be).

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and undertakes to us, the Sole Overall Coordinator and the Sole Sponsor that without the prior written consent of each of us, the Sole Overall Coordinator and the Sole Sponsor that it/he will not, and will cause its/his affiliates not to, whether directly or indirectly, at any time during the period of twelve months following the Listing Date (the “**Lock-up Period Restriction**”), dispose of, in any way, any of the Offer Shares it/he has subscribed pursuant to the Cornerstone Investment Agreements or any interest in any company or entity holding the Offer Shares, save for certain limited circumstances as provided under the Cornerstone Investment Agreements, such as transfers to any of its/his wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investors, including the Lock-up Period Restriction.

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CMBC Securities Company Limited
Bradbury Securities Limited
SPDB International Capital Limited
First Shanghai Securities Limited
ABCI Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
BOCOM International Securities Limited
China Industrial Securities International Capital Limited
Valuable Capital Limited
Eddid Securities and Futures Limited
South China Securities Limited
Zhongtai International Securities Limited
China Everbright Securities (HK) Limited
Huaifu International Securities Limited
Essence International Securities (Hong Kong) Limited
CCB International Capital Limited
Zheshang International Financial Holdings Co., Limited
Quam Securities Limited
Winbull Securities International (HK) Limited
uSmart Securities Limited
Futu Securities International (Hong Kong) Limited
China Demeter Securities Limited
I Win Securities Limited
SBI China Capital Financial Services Limited
Livermore Holdings Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 28, 2023. Pursuant to the Hong Kong Underwriting Agreement, we are offering 12,664,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus, the relevant Application Forms and the Hong Kong Underwriting Agreement.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the

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Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the relevant Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled in its sole and absolute discretion by giving notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) that any statement contained in Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement), and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto (the “**Offer-Related Documents**”) was, when it was issued, or has become untrue or incorrect or incomplete in any material respect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents in any material respect is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
- (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents; or
- (c) any matter, event, act or omission which gives or is likely to give rise to any liability on the part of the Company or the executive Directors and the Controlling Shareholder out of or in connection with any breach, inaccuracy and/or incorrectness of the representations, warranties, and undertakings, or that any of the representations or warranties is misleading and/or the indemnities given by the Company, the executive Directors, and the Controlling Shareholder or any of them under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement (or would if repeated at that time); or

UNDERWRITING

- (d) any material breach of the obligations or undertakings of parties to the Hong Kong Underwriting Agreement, the International Underwriting Agreement, any of the Cornerstone Agreements or any other Offer-Related Documents (other than those imposed on any of the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or
- (e) any material adverse change or any development involving a prospective material adverse change in, or a materialization of any of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (f) that (A) any executive Director, chief executive officer or chief financial officer of the Company seeks to resign or is removed from office, or (B) any certificate given by the Company or any of its officers to the Sole Overall Coordinator under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect, or (C) any executive Director is being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company, or (D) a regulatory, judicial, governmental or administrative authority (including any stock exchange) or law enforcement agency or a political body or organization in any jurisdiction commencing any claim, proceedings, investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or
- (g) a contravention by any member of the Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations which will or will be or is likely to be materially adverse to, or materially affect, the business or financial position or prospects of the Group taken as a whole; or
- (h) any litigation, dispute, legal action or claim of any third party or regulatory, administrative investigation or action being threatened or instigated against any member of the Group, the executive Directors or the Controlling Shareholder which will or will be or is likely to be materially adverse to, or materially affect, the business or financial position or prospects of the Group taken as a whole; or
- (i) any order or petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or any resolution for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (j) a prohibition on the Company for whatever reason from allotting or issuing the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

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- (k) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
- (l) the Company withdraws this prospectus and/or the Application Forms and/or any other documents issued or used in connection with the Global Offering; or
- (m) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be issued or sold (including the Options which may be granted under the Share Option Schemes and the additional Shares which may be issued upon the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (n) any of the experts (other than the Sole Sponsor) which are listed in the paragraph headed “E. Other information – 5. Qualifications of Experts” in Appendix V to this prospectus has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and legal opinions (as the case may be) and references to its name included in the form and context in which it appears in this prospectus; or
- (o) a significant portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into, or the investment commitments by any corporate or cornerstone investors after signing of agreements with such corporate or cornerstone investors, have been withdrawn, terminated or canceled or if any corporate or cornerstone investors is unlikely to fulfill its obligation under the respective agreement, or any Cornerstone Investment Agreement is terminated; or
- (p) there is any change or any development or any prospective change or development that has or will or may have a Material Adverse Effect; or
- (q) there shall have developed, occurred, happened or come into effect:
 - (i) any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions or sentiments (including, without limitation, conditions and sentiments in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) in or affecting Hong Kong, the Cayman Islands, the BVI, Taiwan, the PRC, the United States and the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group (collectively the “**Relevant Jurisdictions**”); or

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- (ii) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the Relevant Jurisdictions; or

- (iii) any event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases or its escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

- (v) the imposition or declaration of (A) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or (B) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

- (vi) any change or development involving a change or prospective change or amendment in or affecting taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollars or Renminbi against any foreign currencies) or affecting an investment in the Offer Shares; or

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- (vii) the commencement by any Governmental Authority or other regulatory or political body or law enforcement agency or organization of any action or investigation against a Director or members of senior management or an announcement by any Governmental Authority or regulatory or political body or law enforcement agency or organization that it intends to take any such action; or
- (viii) any imposition of comprehensive sanction under any sanctions laws or regulations in, or withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
- (ix) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or the value of the RMB is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars, or the Renminbi against any foreign currency; or
- (x) any change or development or event involving a prospective change in the Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of the Company or any other member of the Group, or any loss or interference with the assets, operations or business of the Company or any other member of the Group, which (in any such case) is not set forth in this prospectus; or
- (xi) save as disclosed this prospectus, a demand by any tax authority for payment for any tax liability for any member of the Group that is likely to have a Material Adverse Effect; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtednesses of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (xiii) other than with the prior written consent of the Sole Overall Coordinator, the issue or requirement to issue by the Company of a supplemental prospectus or amendment to this prospectus, any Application Forms, the Preliminary Offering Circular, the Final Offering Circular (as defined in the Hong Kong Underwriting Agreement) or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC,

and which, in any such case (whether individually or in the aggregate) and in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters): (A) has or will or may have a Material Adverse Effect; or (B) has or will or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share under the Hong Kong Public Offering or the level of interest under the International Offering; or (C) makes or will or may make it

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impracticable, inadvisable, inexpedient, incapable or not commercially viable (i) to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering or (ii) for the delivery of Shares on the terms and in the manner contemplated by the Prospectus or (iii) for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities of the Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement or arrangement to such an issue by us within six months from the Listing Date (the “**First Six-Month Period**”) (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option), the exercise of any Option granted or may be granted under the Share Option Schemes, or any issue of Shares or securities of the Company in circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each Controlling Shareholder has jointly and severally undertaken to the Stock Exchange, the Sole Sponsor and the Company that, except in compliance with the requirements of the Listing Rules or pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or the Stock Borrowing Agreement, he, she or it shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange:

- (a) in the period commencing on the date by reference to which disclosure of its, his or her shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, either directly or indirectly, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of those Shares or securities of our Company in respect of which he, she or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(1) of the Listing Rules, the “**Relevant Securities**”) (save for a charge or a pledge of any Relevant Securities as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan); and
- (b) in the period of the following six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”, together with the First Six-Month Period, the “**First Twelve-Month Period**”), either directly or indirectly, dispose of, enter into any agreement to dispose of or otherwise create any options,

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rights, interests or encumbrances in respect of any of the Relevant Securities (save for a charge or a pledge of any Relevant Securities as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be our controlling shareholder (as defined in the Listing Rules).

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each Controlling Shareholder has also jointly and severally undertaken to the Stock Exchange, the Sole Sponsor, and the Company that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the expiry of the Second Six-Month Period, he, she or it will:

- (a) when he, she or it pledges or charges any Relevant Securities in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with Note (2) to Rule 10.07 of the Listing Rules, immediately inform us and the Sole Sponsor and the Sole Overall Coordinator in writing of such pledge or charge together with the number of Relevant Securities so pledged or charged; and
- (b) when he, she or it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any Controlling Shareholder and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by the relevant Controlling Shareholder.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, the Company and the Controlling Shareholders have undertaken as follows.

Undertakings by our Company

Except for the Capitalization Issue, the offer or sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), and the grant of, and the issue of Shares pursuant to, any Options which have been or may be granted under the Share Option Schemes, during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on, and including, the expiry of the First Six-Month Period, the Company undertakes to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and

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the Capital Market Intermediaries not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, security interest, claim, equity interest, right of pre-emption, third-party right or interest, or interests or rights of the same nature as the foregoing or other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect (the “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares, any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of the Company or any shares, as applicable, with a depository in connection with the issue of depository receipts except where such transaction is made solely among members of the Group; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to, contract to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b), (c) and/or (d) above is to be settled by delivery of Shares or other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the First Six-Month Period). During the Second Six-Month Period, the Company shall not enter into any of the transactions specified in (a), (b), (c) and/or (d) such that the Controlling

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Shareholders, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company without first having obtained the prior written consent of the Sole Overall Coordinator and unless in compliance with the requirements of the Listing Rules. In the event that, during the Second Six-Month Period, the Company enters into any of the transactions specified in (a), (b), (c) or (d) above, the Company undertakes to take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the Shares or any other securities of the Company.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders undertakes to each of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Sole Overall Coordinator (on behalf of the Hong Kong Underwriters) and the Sole Sponsor and unless in compliance with the requirements of the Listing Rules or pursuant to the Global Offering or the Over-allotment Option:

- (a) he/she/it will not, and will procure that none of his/her/its affiliates will not, at any time during the First Twelve-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over (other than any mortgage, pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong)) not involving a change of legal ownership of such Shares other than on enforcement for a *bona fide* commercial loan in compliance with the Listing Rules), either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company, as applicable) beneficially owned by him/her/it directly or indirectly through his/her/its controlled entities as at the Listing Date (the “**Subject Securities**”), or deposit any Subject Securities with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Subject Securities, or (iii) enter into or effect any transaction with the same economic effect as any of the transactions specified in (i) or (ii) above, or (iv) offer to or, contract to or agree to announce any intention to enter into or effect any of the transactions specified in (i), (ii) or (iii) above, in each case, whether any of the foregoing transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the transaction will be completed within the First Twelve-Month Period);

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- (b) until the expiry of the First Twelve-Month Period, in the event that he/she/it enters into any of the transactions specified in (a)(i), (ii) or (iii) above or offers to, contract to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company;

provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation, the requirements of the Stock Exchange), nothing above shall prevent the Controlling Shareholders from (i) entering into, undertaking or consummating the above arrangements or transactions pursuant to a requirement of a governmental authority, regulatory body to which a Controlling Shareholder is subject, a court of law, an arbitral tribunal or a requirement of any applicable law, rules and regulations, or (ii) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or other securities of the Company after the Listing Date; and

- (c) he/she/it shall comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder(s) of the Shares or any other securities of our Company at any time during the First Twelve-Month Period.

Indemnity

We, our Controlling Shareholders and our executive and non-executive Directors, have jointly and severally agreed and undertaken to indemnify each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among other things, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement or any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we, the Controlling Shareholders and the Selling Shareholder will enter into the International Underwriting Agreement with, among others, the Sole Overall Coordinator, and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally but not jointly agree to procure purchasers for or failing which to purchase, the International Offer Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

UNDERWRITING

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by the Sole Overall Coordinator at its sole and absolute discretion for itself and on behalf of the International Underwriters, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering (the last day for exercise of the Over-allotment Option being Friday, August 4, 2023) to require us to allot and issue up to an aggregate of 18,996,000 additional Shares, representing approximately 15% of the initial number of Offer Shares available under the Global Offering, at the same price per Offer Share to cover over-allocations in the International Offering, if any, in the International Offering and/or to satisfy the obligations of the Stabilizing Manager to return the borrowed securities under the Stock Borrowing Agreement.

Stabilization

In connection with the Global Offering, the Stabilizing Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Please refer to the sections entitled “Structure of the Global Offering – Over-Allotment and Stabilization” and “Structure of the Global Offering – Stock Borrowing Arrangement” in this prospectus for details regarding stabilization, over-allocation and stock borrowing arrangements in connection with the Global Offering.

Underwriting Commission and Expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of up to 3.0% on the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) offered under the Global Offering (the “**Fixed Fees**”), out of which they will pay any sub-underwriting commission and other fees (if any). In addition, our Company may pay to the Underwriters a discretionary incentive fee of up to 2.0% on the aggregate Offer Price of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) (the “**Discretionary Fees**”).

Assuming the Discretionary Fees are paid in full, the aggregate amount of fees payable by our Company to all syndicate members will be 5.0% of the gross proceeds from the Global Offering, and the ratio of Fixed Fees and Discretionary Fees payable is therefore 60:40.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

UNDERWRITING

The aggregate underwriting commissions and fees, together with listing fees, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$99.2 million (based on the Offer Price of HK\$4.25 per Offer Share and assuming that the Over-allotment Option is not exercised) in total of which approximately HK\$89.0 million has been and shall be borne by us and approximately HK\$10.2 million shall be borne by the Selling Shareholder.

Stamp Taxes

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

Underwriters' Interests in our Company

Save for their respective obligations under the Underwriting Agreements and as disclosed in this prospectus, the Underwriters have no shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to a sponsor as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted

UNDERWRITING

securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering – Over-allotment and Stabilization” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or its affiliates or any person acting for them) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offering of initially 12,664,000 New Shares (subject to adjustment and reallocation as mentioned below) (representing 10% of the initial total number of Offer Shares) in Hong Kong as described in the subsection headed “The Hong Kong Public Offering” in this section; and
- the International Offering of initially 113,976,000 Shares (initially comprising 65,976,000 New Shares and 48,000,000 Sale Shares, and subject to adjustment and reallocation and the Over-allotment Option as mentioned below) (representing 90% of the initial total number of Offer Shares) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for, or indicate an interest in, if qualified to do so, the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to the public in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to professional, institutional and other investors expected to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside of the United States in offshore transactions in reliance on Regulation S.

CMBC Securities Company Limited is the Sole Overall Coordinator, the Joint Global Coordinator, the Joint Bookrunner, the Joint Lead Manager and the Capital Market Intermediary for the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as described below in the subsection headed “Over-Allotment and Stabilization” in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around July 5, 2023. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in the prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the Capitalization Issue and upon the exercise of the Over-allotment Option) and the Shares which may be issued upon the exercise of the Options granted under the Pre-IPO Stock Incentive Plan and any Options which may be granted under the Post-IPO Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or around July 5, 2023; and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.splend.com on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Thursday, July 13, 2023 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination” has not been exercised.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 12,664,000 New Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.6% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involve dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the subsection headed “Conditions of the Global Offering” in this section.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B.

Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable) or less.

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Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Shares means the price payable on application therefor (without regard to the Offer Price).

Applicants can receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 6,332,000 Hong Kong Offer Shares (being 50% of the 12,664,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering is subject to adjustment and reallocation on the following basis:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 37,992,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 50,656,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares will be reallocated to the Hong Kong Public Offering from the

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International Offering, so that the number of the Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 63,320,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Overall Coordinator. The Sole Overall Coordinator may in its discretion reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Overall Coordinator may also in its discretion reallocate to the International Offering all or any Hong Kong Offer Shares which are not subscribed.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offer shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed, irrespective of the number of time of over-allocation, then up to 12,664,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 25,328,000 Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) in accordance with Guidance Letter HKEx-GL91-18.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she, and any person(s) for whose benefit he or she is making the application, have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the International Offering.

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Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$4.25 per Hong Kong Offer Share in addition to any brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% payable on each Hong Kong Offer Share. Further details are set out below in “How to Apply for Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Shares offered

Subject to reallocation as described above, the International Offering will consist of 113,976,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering, initially, comprising 65,976,000 New Shares offered by our Company and 48,000,000 Sale Shares offered by the Selling Shareholder, and assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 14.2% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Global Offering” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong

STRUCTURE OF THE GLOBAL OFFERING

Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) has the right, exercisable at any time, from the day on which trading of the Shares commences on the Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue up to 18,996,000 additional Shares, representing in aggregate approximately 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 2.3% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price will be HK\$4.25 per Offer Share unless otherwise announced, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.splend.com,

STRUCTURE OF THE GLOBAL OFFERING

an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or the revised Offer Price will be final and conclusive and the revised Offer Price, if agreed upon by the Sole Overall Coordinator (for itself and on behalf of the Underwriters), the Selling Shareholder and our Company, will be fixed at such revised Offer Price. Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the revised Offer Price may not be made until the day that is the last day for lodging applications under the Hong Kong Public Offering. Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the revised Offer Price is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price shall be HK\$4.25.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fees in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$245.2 million based on the Offer Price per Offer Share of HK\$4.25.

The indications of interest in the Global Offering, the results of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, July 12, 2023 in the manner set out in the paragraph “How to Apply for Hong Kong Offer Shares – 11. Publication of results” in this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

STRUCTURE OF THE GLOBAL OFFERING

The Stabilizing Manager has been appointed by us for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in amounts not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, or any person acting for it to conduct any such stabilizing action. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilization Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be made available upon exercise of the Over-allotment Option, being up to 18,996,000 Shares, which is in aggregate approximately 15.0% of the Shares initially available under the Global Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above;
- (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

STRUCTURE OF THE GLOBAL OFFERING

- (v) selling, or agreeing to sell, any of our Shares in order to liquidate any position established as a result of those purchases; and
- (vi) offering or attempting to do anything as described in paragraphs (ii), (iii), (iv) or (v) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person acting for it, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilization period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Friday, August 4, 2023. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager or any person acting for it may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

For the purpose of covering any over-allocations, the Stabilizing Manager may borrow from Mr. Lai up to 18,996,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager and Mr. Lai. The loan of Shares from Mr. Lai pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules, provided that the requirements of Rule 10.07(3) of the Listing Rules are complied with as follows:

- (i) the Stock Borrowing Agreement is fully described in the prospectus and will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;

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- (ii) the maximum number of Shares which may be borrowed from Mr. Lai must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Mr. Lai or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the Stock Borrowing Arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payment will be made to Mr. Lai by the Stabilizing Manager in relation to such Stock Borrowing Agreement.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, July 13, 2023, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, July 13, 2023.

The Shares will be traded in board lots of 500 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.splend.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for, or indicate an interest for, International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for

HOW TO APPLY FOR HONG KONG OFFER SHARES

Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members’ names.

If an application is made by a person under a power of attorney, the Sole Overall Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney’s authority.

The number of joint applicants may not exceed four, and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Overall Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you, and to do on your behalf all things necessary, to register any Hong Kong Offer Shares allocated to you in your name, or in the name of HKSCC Nominees as required by our Memorandum and Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act, and our Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the “**Relevant Persons**”) is, or will be liable for, any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving bank(s), the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisors and agents and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) agree and warrant that, if the laws of any place outside Hong Kong apply to your application, you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries nor any of their respective officers or advisors nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act;
- (xiii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) and are not a United States Person (as defined in Regulation S), and the purchaser is not an affiliate (as defined in Regulation S) of our Company or a person acting on the behalf of our Company or an affiliate of our Company;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xvi) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to

HOW TO APPLY FOR HONG KONG OFFER SHARES

you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvii) declare and represent that this is the only application made, and the only application intended by you to be made, to benefit you or the person for whose benefit you are applying;
- (xviii) understand that the Company and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xix) warrant (if the application is made for your own benefit) that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xx) warrant (if you are making the application as an agent for the benefit of another person) that (i) no other application has been or will be made, by you as agent for or for the benefit of that person or by that person, or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to **give electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

| No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application | No. of Hong Kong Offer Shares applied for | Amount payable on application |
|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|--|-------------------------------------|
| | HK\$ | | HK\$ | | HK\$ | | HK\$ |
| 500 | 2,146.43 | 7,000 | 30,050.02 | 50,000 | 214,643.07 | 700,000 | 3,005,002.88 |
| 1,000 | 4,292.86 | 8,000 | 34,342.89 | 60,000 | 257,571.68 | 800,000 | 3,434,289.00 |
| 1,500 | 6,439.29 | 9,000 | 38,635.75 | 70,000 | 300,500.29 | 900,000 | 3,863,575.13 |
| 2,000 | 8,585.72 | 10,000 | 42,928.61 | 80,000 | 343,428.90 | 1,000,000 | 4,292,861.26 |
| 2,500 | 10,732.16 | 15,000 | 64,392.92 | 90,000 | 386,357.51 | 1,500,000 | 6,439,291.88 |
| 3,000 | 12,878.58 | 20,000 | 85,857.23 | 100,000 | 429,286.13 | 2,000,000 | 8,585,722.50 |
| 3,500 | 15,025.01 | 25,000 | 107,321.53 | 200,000 | 858,572.26 | 2,500,000 | 10,732,153.13 |
| 4,000 | 17,171.45 | 30,000 | 128,785.83 | 300,000 | 1,287,858.38 | 3,000,000 | 12,878,583.76 |
| 4,500 | 19,317.88 | 35,000 | 150,250.14 | 400,000 | 1,717,144.50 | 4,000,000 | 17,171,445.00 |
| 5,000 | 21,464.30 | 40,000 | 171,714.46 | 500,000 | 2,146,430.63 | 5,000,000 | 21,464,306.26 |
| 6,000 | 25,757.17 | 45,000 | 193,178.76 | 600,000 | 2,575,716.76 | 6,332,000 ⁽¹⁾ | 27,182,397.44 |

⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “2. Who can apply” in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

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Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, June 30, 2023 until 11:30 a.m. on Wednesday, July 5, 2023, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, July 5, 2023 or such later time under “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

You may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Overall Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

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- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Overall Coordinator, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Overall Coordinator, the Underwriters, the Capital Market Intermediaries, and/or their respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (or, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things, for which neither HKSCC or HKSCC Nominees shall be liable to our Company or any other person:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the prospectus. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, June 30, 2023 – 9:00 a.m. to 8:30 p.m.
- Monday, July 3, 2023 – 8:00 a.m. to 8:30 p.m.
- Tuesday, July 4, 2023 – 8:00 a.m. to 8:30 p.m.
- Wednesday, July 5, 2023 – 8:00 a.m. to 12:00 noon

⁽¹⁾ The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 30, 2023 until 12:00 noon on Wednesday, July 5, 2023 (24 hours daily, except on Wednesday, July 5, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, July 5, 2023, the last application day or such later time as described in the subsection headed “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications, or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective advisers and agents and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

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Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;

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- verifying identities of the holders of our Company's Shares;
- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Retention of personal data

Our Company and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, July 5, 2023.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Offer Price is HK\$4.25 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$2,146.43.

You must pay the Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy in full upon application for Shares. You may submit an application through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in “4. Minimum Purchase Amount and Permitted Numbers” in this section, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, and AFRC transaction levy collected by the Stock Exchange on behalf of the SFC and AFRC respectively).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing of the Global Offering.”

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, July 5, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, July 5, 2023 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable,” we will make an announcement on our website at **www.splend.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, July 12, 2023 on our Company’s website at **www.splend.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.splend.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, July 12, 2023;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, July 12, 2023 to 12:00 midnight on Tuesday, July 18, 2023;
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, July 12, 2023 to Friday, July 14, 2023 and Monday, July 17, 2023.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through **electronic application instructions** to HKSCC or through **White Form eIPO** Service Provider, you agree that your application, or the application made by HKSCC Nominees on your behalf, cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application, or the application made by HKSCC Nominees on your behalf, may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified, but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application, or the application made by HKSCC Nominees on your behalf, has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your application is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Overall Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, July 12, 2023.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made via **CCASS EIPO** where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheque and share certificates are expected to be posted on or

HOW TO APPLY FOR HONG KONG OFFER SHARES

before Wednesday, July 12, 2023. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, July 13, 2023 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, July 12, 2023, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, July 12, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(ii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or, each person for whose benefit instructions are given, will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, July 12, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, July 12, 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, July 12, 2023 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, July 12, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, July 12, 2023.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement, as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF STAR PLUS LEGEND HOLDINGS LIMITED AND CMBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Star Plus Legend Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-91, which comprises the consolidated statements of financial position as at December 31, 2019, 2020, 2021 and 2022, the statements of financial position of the Company as at December 31, 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-91 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 30, 2023 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 32 to the Historical Financial Information which contains information about dividends declared or paid by Star Plus Legend Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong

June 30, 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended December 31, | | | |
|---|--------|-------------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 5 | 86,585 | 456,944 | 365,345 | 344,157 |
| Cost of revenue | 7 | (29,972) | (224,155) | (137,963) | (121,329) |
| Gross profit | | <u>56,613</u> | <u>232,789</u> | <u>227,382</u> | <u>222,828</u> |
| Selling and marketing expenses | 7 | (14,393) | (94,914) | (93,809) | (72,447) |
| General and administrative expenses | 7 | (10,330) | (31,563) | (65,091) | (64,094) |
| Reversal of/(provision for) impairment losses on financial assets | 3.1(b) | 73 | (4,452) | 922 | (745) |
| Other income | 6 | 151 | 1,692 | 234 | 21,844 |
| Other expense | 6 | – | – | – | (5,798) |
| Other (losses)/gains, net | 6 | (114) | 10,254 | 3,956 | (9,553) |
| Operating profit | | <u>32,000</u> | <u>113,806</u> | <u>73,594</u> | <u>92,035</u> |
| Finance (costs)/income, net | 9 | (160) | 35 | (8,942) | 1,103 |
| Profit before income tax | | 31,840 | 113,841 | 64,652 | 93,138 |
| Income tax expense | 10 | (9,121) | (38,210) | (21,761) | (28,240) |
| Profit for the year | | <u>22,719</u> | <u>75,631</u> | <u>42,891</u> | <u>64,898</u> |
| Profit/(loss) attributable to: | | | | | |
| – Owners of the Company | | 23,559 | 78,064 | 43,649 | 60,389 |
| – Non-controlling interests | | (840) | (2,433) | (758) | 4,509 |
| | | <u>22,719</u> | <u>75,631</u> | <u>42,891</u> | <u>64,898</u> |

| | | Year ended December 31, | | | |
|--------------|--|-------------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | Profit for the year | 22,719 | 75,631 | 42,891 | 64,898 |
| | Other comprehensive (loss)/income: <i>Items that may be subsequently reclassified to profit or loss</i> | | | | |
| | Currency translation differences | (27) | (1,150) | (1,044) | 1,803 |
| | Total comprehensive income for the year | <u>22,692</u> | <u>74,481</u> | <u>41,847</u> | <u>66,701</u> |
| | Total comprehensive income/(loss) attributable to: | | | | |
| | – Owners of the Company | 23,539 | 76,954 | 42,585 | 62,105 |
| | – Non-controlling interests | (847) | (2,473) | (738) | 4,596 |
| | | <u>22,692</u> | <u>74,481</u> | <u>41,847</u> | <u>66,701</u> |
| | Earnings per share for profit attributable to owners of the Company (expressed in RMB per share): | | | | |
| | – Basic and Diluted | 11 <u>0.05</u> | <u>0.16</u> | <u>0.09</u> | <u>0.12</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at December 31, | | | | |
|---|-------------------------------------|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2019 | 2020 | 2021 | 2022 | |
| Notes | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| ASSETS | | | | | | |
| Non-current assets | | | | | | |
| | Property, plant and equipment | 12 | 1,314 | 3,247 | 58,975 | 69,086 |
| | Right-of-use assets | 13 | 2,469 | 2,786 | 3,893 | 1,878 |
| | Intangible assets | 14 | 10 | 80 | 625 | 3,878 |
| | Deferred income tax assets | 29 | 3,650 | 3,965 | 3,031 | 4,186 |
| | Trade and other receivables | 18 | – | 2,421 | – | – |
| | Other non-current assets | 15 | 1,891 | 54,511 | 50,416 | 59,638 |
| | | | <u>9,334</u> | <u>67,010</u> | <u>116,940</u> | <u>138,666</u> |
| Current assets | | | | | | |
| | Inventories | 21 | 15,510 | 24,107 | 24,490 | 28,828 |
| | TV program rights | 16 | 77,247 | – | 13,594 | 89,602 |
| | Trade and other receivables | 18 | 39,617 | 71,760 | 52,538 | 62,066 |
| | Prepayment and other current assets | 19 | 16,601 | 31,278 | 53,677 | 53,070 |
| | Restricted bank deposits | 20 | – | 11,008 | – | – |
| | Cash and cash equivalents | 20 | 29,298 | 120,962 | 211,873 | 182,633 |
| | | | <u>178,273</u> | <u>259,115</u> | <u>356,172</u> | <u>416,199</u> |
| | Total assets | | <u><u>187,607</u></u> | <u><u>326,125</u></u> | <u><u>473,112</u></u> | <u><u>554,865</u></u> |
| EQUITY AND LIABILITIES | | | | | | |
| Equity attributable to owners of the Company | | | | | | |
| | Share capital | 22 | – | 36 | 38 | 38 |
| | Reserves | 24 | (2,197) | 33,583 | 24,970 | 33,343 |
| | Retained earnings | 25 | 28,726 | 104,690 | 144,213 | 200,161 |
| | | | <u>26,529</u> | <u>138,309</u> | <u>169,221</u> | <u>233,542</u> |
| | Non-controlling interests | | <u>(862)</u> | <u>(3,289)</u> | <u>(4,027)</u> | <u>569</u> |
| | Total equity | | <u><u>25,667</u></u> | <u><u>135,020</u></u> | <u><u>165,194</u></u> | <u><u>234,111</u></u> |

| | | As at December 31, | | | | |
|--------------------------------|--|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2019 | 2020 | 2021 | 2022 | |
| Notes | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| LIABILITIES | | | | | | |
| Non-current liabilities | | | | | | |
| | Lease liabilities | 26 | 1,484 | 1,409 | 1,035 | 220 |
| | Contract liabilities | 28 | 686 | – | 45 | 38 |
| | Deferred income tax liabilities | 29 | – | 2,200 | – | – |
| | Borrowings | 31 | – | – | 15,000 | 10,000 |
| | | | <u>2,170</u> | <u>3,609</u> | <u>16,080</u> | <u>10,258</u> |
| Current liabilities | | | | | | |
| | Trade and other payables | 27 | 130,975 | 79,314 | 45,576 | 69,010 |
| | Contract liabilities | 28 | 12,850 | 64,533 | 59,308 | 31,385 |
| | Current income tax liabilities | | 14,932 | 42,076 | 15,153 | 24,575 |
| | Lease liabilities | 26 | 1,013 | 1,573 | 3,281 | 1,872 |
| | Financial instrument with redemption rights | 30 | – | – | 163,520 | 178,654 |
| | Borrowings | 31 | – | – | 5,000 | 5,000 |
| | | | <u>159,770</u> | <u>187,496</u> | <u>291,838</u> | <u>310,496</u> |
| | Total liabilities | | <u><u>161,940</u></u> | <u><u>191,105</u></u> | <u><u>307,918</u></u> | <u><u>320,754</u></u> |
| | Total equity and liabilities | | <u><u>187,607</u></u> | <u><u>326,125</u></u> | <u><u>473,112</u></u> | <u><u>554,865</u></u> |
| | Net current assets | | <u><u>18,503</u></u> | <u><u>71,619</u></u> | <u><u>64,334</u></u> | <u><u>105,703</u></u> |
| | Total assets less current liabilities | | <u><u>27,837</u></u> | <u><u>138,629</u></u> | <u><u>181,274</u></u> | <u><u>244,369</u></u> |

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | | As at December 31, | | |
|---|-------|----------------------|-----------------------|-----------------------|
| | | 2020 | 2021 | 2022 |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| ASSETS | | | | |
| Non-current assets | | | | |
| Amounts due from subsidiaries | 36(e) | 30,571 | 161,134 | 99,895 |
| Investments in subsidiaries | 1.2 | 25,507 | 29,076 | 23,667 |
| | | <u>56,078</u> | <u>190,210</u> | <u>123,562</u> |
| Current assets | | | | |
| Prepayments and other current assets | 19 | 445 | 5,514 | 13,867 |
| Cash and cash equivalents | | – | 18,744 | 85,950 |
| | | <u>445</u> | <u>24,258</u> | <u>99,817</u> |
| Total assets | | <u><u>56,523</u></u> | <u><u>214,468</u></u> | <u><u>223,379</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to owners of the Company | | | | |
| Share capital | 22 | 36 | 38 | 38 |
| Reserves | 24 | 57,113 | 44,821 | 48,029 |
| Accumulated losses | 25 | (3,441) | (13,497) | (39,137) |
| Total equity | | <u><u>53,708</u></u> | <u><u>31,362</u></u> | <u><u>8,930</u></u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Amounts due to subsidiaries | 36(e) | 653 | 16,758 | 30,562 |
| Financial instrument with redemption rights | 30 | – | 163,520 | 178,654 |
| Trade and other payables | 27 | 2,162 | 2,828 | 5,233 |
| Total liabilities | | <u><u>2,815</u></u> | <u><u>183,106</u></u> | <u><u>214,449</u></u> |
| Total equity and liabilities | | <u><u>56,523</u></u> | <u><u>214,468</u></u> | <u><u>223,379</u></u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <i>Notes</i> | Attributable to owners of the Company | | | | Non- controlling interests | Total equity |
|---|--------------|---------------------------------------|----------------|----------------------|----------------|----------------------------------|--------------|
| | | Share capital | Reserves | Retained earnings | Sub-total | | |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | | |
| Balance at January 1, 2019 | | – | (8,910) | 7,900 | (1,010) | (15) | (1,025) |
| Comprehensive income | | | | | | | |
| Profit for the year | | – | – | 23,559 | 23,559 | (840) | 22,719 |
| Other comprehensive loss – Currency translation differences | | – | (20) | – | (20) | (7) | (27) |
| Total comprehensive income | | – | (20) | 23,559 | 23,539 | (847) | 22,692 |
| Transactions with shareholders in their capacity as shareholders | | | | | | | |
| Appropriation to statutory reserves | 24 | – | 2,733 | (2,733) | – | – | – |
| Deemed contribution from shareholders | 24 | – | 4,000 | – | 4,000 | – | 4,000 |
| Total transactions with shareholders in their capacity as shareholders | | – | 6,733 | (2,733) | 4,000 | – | 4,000 |
| Balance at December 31, 2019 | | – | (2,197) | 28,726 | 26,529 | (862) | 25,667 |

| | | Attributable to owners of the Company | | | | Non- | |
|--|----|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | Share | Reserves | Retained | Sub-total | controlling | Total equity |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | capital | | earnings | | interests | |
| Balance at January 1, 2020 | | – | (2,197) | 28,726 | 26,529 | (862) | 25,667 |
| Comprehensive income | | | | | | | |
| Profit for the year | | – | – | 78,064 | 78,064 | (2,433) | 75,631 |
| Other comprehensive loss | | | | | | | |
| – Currency translation differences | | – | (1,110) | – | (1,110) | (40) | (1,150) |
| Total comprehensive income | | – | (1,110) | 78,064 | 76,954 | (2,473) | 74,481 |
| Transactions with shareholders in their capacity as shareholders | | | | | | | |
| Issuance of ordinary shares | 22 | 36 | 32,950 | – | 32,986 | – | 32,986 |
| Non-controlling interests on disposal of subsidiaries | 35 | – | – | – | – | 46 | 46 |
| Equity-settled share-based payment transactions | 23 | – | 1,840 | – | 1,840 | – | 1,840 |
| Appropriation to statutory reserves | 24 | – | 2,100 | (2,100) | – | – | – |
| Capital injection to Star Plus Cultural (Kunshan) Investment Company Limited from shareholders | 24 | – | 2,000 | – | 2,000 | – | 2,000 |
| Deemed distribution to shareholders | 24 | – | (2,000) | – | (2,000) | – | (2,000) |
| Total transactions with shareholders in their capacity as shareholders | | 36 | 36,890 | (2,100) | 34,826 | 46 | 34,872 |
| Balance at December 31, 2020 | | 36 | 33,583 | 104,690 | 138,309 | (3,289) | 135,020 |

| | | Attributable to owners of the Company | | | | Non- | | |
|-------|---|---------------------------------------|----------|-----------|-----------|-------------|--------------|-----------|
| | | Share | Reserves | Retained | Sub-total | controlling | Total equity | |
| | | capital | | earnings | | interests | | |
| Notes | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| | Balance at January 1, 2021 | 36 | 33,583 | 104,690 | 138,309 | (3,289) | 135,020 | |
| | Comprehensive income | | | | | | | |
| | Profit for the year | - | - | 43,649 | 43,649 | (758) | 42,891 | |
| | Other comprehensive loss | | | | | | | |
| | - Currency translation differences | - | (1,064) | - | (1,064) | 20 | (1,044) | |
| | Total comprehensive income | - | (1,064) | 43,649 | 42,585 | (738) | 41,847 | |
| | Transactions with shareholders in their capacity as shareholders | | | | | | | |
| | Issuance of ordinary shares | 22 | 2 | 159,841 | - | 159,843 | - | 159,843 |
| | Recognition of redemption liability | 30 | - | (158,180) | - | (158,180) | - | (158,180) |
| | Equity-settled share-based payment transactions | 23 | - | 3,568 | - | 3,568 | - | 3,568 |
| | Appropriation to statutory reserves | 24 | - | 4,126 | (4,126) | - | - | - |
| | Dividends declared and payable by the Company | 32 | - | (16,904) | - | (16,904) | - | (16,904) |
| | Total transactions with shareholders in their capacity as shareholders | | 2 | (7,549) | (4,126) | (11,673) | - | (11,673) |
| | Balance at December 31, 2021 | 38 | 24,970 | 144,213 | 169,221 | (4,027) | 165,194 | |

| | | Attributable to owners of the Company | | | | Non- | |
|--------------|---|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | | Share | Reserves | Retained | Sub-total | controlling | Total equity |
| | | capital | | earnings | | interests | |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | Balance at January 1, 2022 | 38 | 24,970 | 144,213 | 169,221 | (4,027) | 165,194 |
| | Comprehensive income | | | | | | |
| | Profit for the year | - | - | 60,389 | 60,389 | 4,509 | 64,898 |
| | Other comprehensive income | | | | | | |
| | - Currency translation differences | - | 1,716 | - | 1,716 | 87 | 1,803 |
| | Total comprehensive income | - | 1,716 | 60,389 | 62,105 | 4,596 | 66,701 |
| | Transactions with shareholders in their capacity as shareholders | | | | | | |
| | Equity-settled share-based payment transactions | 23 | 2,216 | - | 2,216 | - | 2,216 |
| | Appropriation to statutory reserves | 24 | 4,441 | (4,441) | - | - | - |
| | Total transactions with shareholders in their capacity as shareholders | - | 6,657 | (4,441) | 2,216 | - | 2,216 |
| | Balance at December 31, 2022 | 38 | 33,343 | 200,161 | 233,542 | 569 | 234,111 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | | Year ended December 31, | | | |
|---|--|-------------------------|------------------|-----------------|-----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| Notes | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash flows from operating activities | | | | | |
| | Cash generated from operations | 2,819 | 338,982 | 39,417 | 23,025 |
| | Interest received | 62 | 479 | 1,248 | 2,443 |
| | Income tax paid | (1,245) | (11,008) | (49,950) | (19,973) |
| | Net cash inflow/(outflow) from operating activities | <u>1,636</u> | <u>328,453</u> | <u>(9,285)</u> | <u>5,495</u> |
| Cash flows from investing activities | | | | | |
| | Payments for property, plant and equipment | (1,217) | (56,028) | (53,860) | (6,339) |
| | Payments for intangible assets | – | (83) | (584) | (3,397) |
| | Payments for other non-current assets | – | – | – | (15,127) |
| | Increase in restricted bank deposits | – | (112,966) | (124,838) | – |
| | Decrease in restricted bank deposits | – | 101,958 | 135,846 | – |
| | Payments for purchase of wealth management products | – | – | (80,000) | – |
| | Proceeds from redemption of wealth management products | – | – | 80,435 | – |
| | Payments for financial assets at amortised cost | – | – | (25,000) | – |
| | Proceeds from disposal of other financial assets at amortised cost | – | – | 25,000 | – |
| | Investment income | – | – | 58 | – |
| | Loans to related parties | (11,040) | – | – | – |
| | Loans repaid by related parties | 4,433 | 10,468 | – | – |
| | Loans repaid by third parties | – | 100 | – | – |
| | Payments of deposit for purchase of property, plant and equipment | (10,000) | – | – | – |
| | Refund of deposit for purchase of property, plant and equipment | – | 10,000 | – | – |
| | Disposal of subsidiaries, net of cash of disposed subsidiaries | – | (151,171) | – | – |
| | Net cash outflow from investing activities | <u>(17,824)</u> | <u>(197,722)</u> | <u>(42,943)</u> | <u>(24,863)</u> |

| | | Year ended December 31, | | | | |
|---|---|-------------------------|----------------|-----------------|----------------|-----------------|
| | | 2019 | 2020 | 2021 | 2022 | |
| <i>Notes</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| Cash flows from financing activities | | | | | | |
| | Proceeds from issuance of ordinary shares | 22 | – | – | 166,120 | – |
| | Capital injections from shareholders | 24 | – | 2,000 | – | – |
| | Payment of transaction costs for issuance of ordinary shares | 22 | – | – | (5,932) | – |
| | Cash paid to shareholders for reorganisation | 24 | – | (12,000) | – | – |
| | Cash received from shareholders for reorganisation | 24 | – | 4,000 | – | – |
| | Dividends paid to shareholders | | – | – | (16,661) | – |
| | Payment for listing expenses | | – | – | (4,998) | (2,230) |
| | Proceeds from borrowings | | – | – | 25,000 | – |
| | Repayments of borrowings | | – | – | (5,000) | (5,000) |
| | Loans from a third party | | – | – | 13,160 | – |
| | Repayment of loans to a third party | | – | – | (14,000) | – |
| | Proceeds from related parties | 36 | 34,592 | – | 916 | – |
| | Repayment of loans to related parties | | (20,154) | (18,999) | (11,470) | – |
| | Interest paid | | – | – | (1,245) | (1,035) |
| | Lease payments | | (996) | (2,031) | (2,275) | (3,122) |
| | Proceeds from investors for investment of TV program | 6 | 15,000 | – | – | – |
| | Settlement of financial liabilities in relation to investment of TV program | 6 | – | (12,000) | – | – |
| | Net cash inflow/(outflow) from financing activities | | <u>28,442</u> | <u>(39,030)</u> | <u>143,615</u> | <u>(11,387)</u> |
| | Net increase/(decrease) in cash and cash equivalents | | 12,254 | 91,701 | 91,387 | (30,755) |
| | Cash and cash equivalents at beginning of the year | 20(a) | 17,044 | 29,298 | 120,962 | 211,873 |
| | Effect of exchange rate changes on cash and cash equivalents | | – | (37) | (476) | 1,515 |
| | Cash and cash equivalents at end of the year | 20(a) | <u>29,298</u> | <u>120,962</u> | <u>211,873</u> | <u>182,633</u> |

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Star Plus Legend Holdings Limited (formerly known as Star Plus (Group) Limited, the “Company”) was incorporated in the Cayman Islands on January 3, 2020 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company. The Company and the companies shown in Note 1.2 below now comprising the Group (together, the “Group”) are principally engaged in new retail business and IP creation and operation business (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Company is controlled by Ms. Ma, Hsin-Ting (“Ms. Ma”), Mr. Yang, Chun-Jung (“Mr. Yang”), Ms. Yeh, Hui-Mei (“Ms. Yeh”), Mr. Chen, Chung (“Mr. Chen”) through their investment holding companies.

Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen have entered into a concert party agreement and therefore are collectively referred as the controlling shareholders of the Company (the “Controlling Shareholders”).

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) for the purpose of preparation for the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited as described below, the Listing Business was carried out by Star Plus Cultural (Kunshan) Investment Company Limited (“Star Plus (Kunshan)”), Secret Music (HK) Limited (“Secret Music (HK)”), Star Plus Action (HK) Limited (“Star Plus Action (HK)”), Star Plus Development Limited (“Star Plus Development”), Star Plus J Movie (HK) Limited (“Star Plus J Movie”), Star Plus Entertainment (HK) Limited (“Star Plus Entertainment”) and their subsidiaries (collectively, the “Operating Companies”).

The Reorganisation mainly involved the following steps:

- (i) On January 3, 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. Upon incorporation, the Company issued one ordinary share at par value to the initial subscriber and transferred such share to Star Media Global Ltd. (“Star Media”), a company incorporated in British Virgin Islands (“BVI”) and wholly owned by Mr. Lai, Kwok Fai Franki (“Mr. Lai”). On the same day, Mr. Lai was entrusted to hold 70% and 15% of the Company’s beneficial interest on behalf of the Controlling Shareholders and Mr. Ho Chi Sing Simon (“Mr. Ho”), respectively, with the remaining 15% equity interest belongs to Mr. Lai.
- (ii) On February 5, 2020, the Company acquired the entire equity interest of Star Plus Development at cash considerations of US\$1 from Great Essence Holdings Limited (“Great Essence”). Mr. Lai was entrusted to hold 70% and 15% of Great Essence’s beneficial interest on behalf of the Controlling Shareholders and Mr. Ho, respectively, and the remaining 15% equity interest belongs to Mr. Lai.
- (iii) On February 5, 2020, the Company acquired the entire equity interest of Star Plus Entertainment at cash considerations of Hong Kong Dollar (“HK\$”) 1 from Great Essence.
- (iv) On February 18, 2020, the Company acquired the entire equity interest of Star Plus Action (HK) from Star Media at a cash consideration of HK\$1.

- (v) On February 18, 2020, Star Plus Action (HK) agreed to acquire the entire equity interest of Kunshan Star Plus Action E-Commerce Company Limited at a cash consideration of RMB10,000,000 from Star Plus (Kunshan).
- (vi) On February 28, 2020, the Company acquired 50% of the equity interest in Secret Music (HK) at a cash consideration of HK\$50 from Great Essence.
- (vii) On March 19, 2020, the Company acquired the entire equity interest of Star Plus J Movie at a consideration of HK\$1 from Great Essence.
- (viii) On February 28, 2020, a wholly-owned subsidiary of Star Plus Entertainment acquired the entire equity interest of Star Plus (Kunshan) from companies owned and controlled by the Controlling Shareholders (as to 70%) and an independent third party on behalf of Mr. Lai and Mr. Ho (as to 30%) at a consideration of RMB2,000,000. Since then Star Plus (Kunshan) becomes a wholly owned subsidiary of Star Plus Entertainment.

Upon completion of the above steps, each of the Controlling Shareholders of the Operating Companies became the shareholders of the Company with substantially the same shareholding percentages in the Operating Companies before and after the Reorganisation and the Company became the holding company of the companies now comprising the Group and has direct or indirect interests in the subsidiaries of the Group.

On July 29, 2020, the authorised shares of the Company were subdivided from 50,000 shares of US\$1 each into 5,000,000,000 shares of US\$0.00001 each. The one subscriber share of US\$1 issued on incorporation became 100,000 shares of US\$0.00001 each. On August 4, 2020, the Company allotted and issued an aggregate of 499,900,000 ordinary shares at par value to the investment holding companies owned by the Controlling Shareholders. Upon completion of such issue, the Company is owned as to 30%, 30% and 10%, by Legend Key International Limited (a wholly owned company by Mr. Yang and Ms. Yeh), Best Million Holdings Limited (a wholly owned company by Ms. Ma) and Max One Ltd (a wholly owned company by Mr. Chen), respectively. The remaining 15% and 15% of the Company's equity interests are owned by Mr. Lai and Mr. Ho, respectively.

On September 30, 2020 and February 17, 2021, the Company allotted and issued 12,820,512 ordinary shares at a consideration of HK\$37,500,000 and 30,094,112 ordinary shares at a consideration of HK\$200,000,000 to two pre-IPO investors, namely Long Precise Limited ("Long Precise") and Bradbury Private Investment III Inc. ("Bradbury"), respectively. Please see Note 22 for further details.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

| Company name | Place of incorporation and kind of legal entity | Date of incorporation | Registered capital | Principal activities and place of operation | Attributable equity interest of the Group | | | | As at the date of this report | Notes |
|--|---|-----------------------|--------------------|---|---|------|------|------|-------------------------------|-------------|
| | | | | | As at December 31, | | | | | |
| | | | | | 2019 | 2020 | 2021 | 2022 | | |
| Directly held by the Company: | | | | | | | | | | |
| Star Plus Development Limited | British Virgin Islands, limited liability company | December 31, 2017 | US\$1 | IP planning, management and licensing at the offshore level, Hong Kong ("HK") | 100% | 100% | 100% | 100% | 100% | (x) |
| Star Plus Action (HK) Limited | HK, limited liability company | December 5, 2019 | HK\$1 | Investment holdings, HK | 100% | 100% | 100% | 100% | 100% | (xi) |
| Star Plus Entertainment (HK) Limited | HK, limited liability company | November 3, 2015 | HK\$1 | Investment holdings, HK | 100% | 100% | 100% | 100% | 100% | (iii) |
| Star Plus J Movie (HK) Limited | HK, limited liability company | July 26, 2018 | HK\$1 | Investment holdings, HK | 100% | 100% | 100% | 100% | 100% | (iii) |
| Secret Music (HK) Limited | HK, limited liability company | July 4, 2018 | HK\$100 | Trading of pianos and online music learning materials, HK | 50% | 50% | 50% | 50% | 100% | (iii), (vi) |
| Star Plus Creative Cultural Company Limited (巨星创意文化股份有限公司) | Taiwan, limited liability company | March 2, 2023 | NT\$20,000,000 | IP creation and operation, Taiwan | N/A | N/A | N/A | N/A | 100% | (ii) |

| Company name | Place of incorporation and kind of legal entity | Date of incorporation | Registered capital | Principal activities and place of operation | Attributable equity interest of the Group | | | | As at the date of this report | Notes |
|---|---|-----------------------|--------------------|---|---|--------|--------|--------|-------------------------------|-------------|
| | | | | | As at December 31, | | | | | |
| | | | | | 2019 | 2020 | 2021 | 2022 | | |
| Indirectly held by the Company: | | | | | | | | | | |
| Beijing Star Plus Master Cultural Communication Company Limited (北京巨星精進文化傳播有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | November 6, 2017 | RMB3,000,000 | Planning of television, online programs and concerts, the PRC | 70% | 70% | 70% | 70% | 70% | (ii) |
| Beijing Secret Music Cultural Development Company Limited (北京秘密音樂文化發展有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | May 6, 2019 | RMB10,000,000 | Investment holdings, the PRC | 50% | 50% | 50% | 50% | 50% | (ii), (vi) |
| Kunshan Secret Music Cultural Development Company Limited (昆山秘密音樂文化發展有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | August 19, 2018 | RMB10,000,000 | Trading of pianos and online music learning materials, the PRC | 50% | 50% | 50% | 50% | 50% | (ii), (vi) |
| Beijing Star Plus Legend Cultural Development Company Limited (北京巨星傳奇文化發展有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | June 2, 2020 | RMB10,000,000 | IP creation and operation, the PRC | N/A | 100% | 100% | 100% | 100% | (ii) |
| Beijing Star Plus Action E-Commerce Company Limited (北京巨星行動電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | July 13, 2020 | RMB10,000,000 | Investment holdings, the PRC | N/A | 100% | 100% | 100% | 100% | (iv) |
| Kunshan Star Plus Action E-Commerce Company Limited (昆山巨星行動電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | March 17, 2016 | RMB100,000,000 | Product development, customer service and order fulfilment for new retail business, the PRC | 100% | 100% | 100% | 100% | 100% | (v) |
| Talent Planet (HK) Limited (天賦星球香港有限公司) ⁽ⁱ⁾ | HK, limited liability company | November 26, 2021 | HK\$10,000 | Planning of online program and concerts, HK | N/A | N/A | 100% | 100% | 100% | (ii) |
| Star Plus IP (Shanghai) Creative Cultural Company Limited (上海星創智權創意文化有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | November 26, 2021 | RMB500,000 | Media and TV programme production management, the PRC | N/A | N/A | 100% | 100% | 100% | (ii) |
| Talent Planet (Hangzhou) Limited (杭州天賦星球文化傳媒有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | January 14, 2022 | RMB3,000,000 | Planning of television, online programmes and concerts, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Kunshan JST One Management Centre (Limited Partnership) (昆山杰申企業管理中心(有限合夥)) ⁽ⁱ⁾ | The PRC, limited partnership | September 28, 2017 | RMB1,000,000 | Media and TV program production management, the PRC | 99.25% | 99.25% | 99.25% | 99.25% | 99.25% | (ii), (vii) |
| Kunshan JST Two Management Centre (Limited Partnership) (昆山杰未企業管理中心(有限合夥)) ⁽ⁱ⁾ | The PRC, limited partnership | January 6, 2020 | RMB1,000,000 | Media and TV program production management, the PRC | N/A | 99.25% | 99.25% | 99.25% | 99.25% | (ii) |
| Star Plus Cultural (Kunshan) Investment Company Limited (巨室文創(昆山)投資有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | November 4, 2015 | RMB2,000,000 | IP planning, management and licensing at the onshore level, the PRC | 100% | 100% | 100% | 100% | 100% | (ix) |
| Star Plus JST Cultural Development Company Limited (星創杰影昆山文化發展有限公司) | The PRC, limited liability company | July 1, 2021 | RMB10,000,000 | Media and TV program production management, the PRC | N/A | N/A | 100% | 100% | 100% | (ii) |
| Talent Planet (Kunshan) Limited (昆山天賦星球文化傳媒有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | May 26, 2022 | RMB10,000,000 | Media and TV program production management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Star Plus Entertainment (Hangzhou) Creative Culture Company Limited (杭州星創藝創想文娛有限公司) | The PRC, limited liability company | March 11, 2022 | RMB10,000,000 | Media and TV program production management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |

| Company name | Place of incorporation and kind of legal entity | Date of incorporation | Registered capital | Principal activities and place of operation | Attributable equity interest of the Group | | | | As at the date of this report | Notes |
|---|---|-----------------------|--------------------|---|---|------|------|------|-------------------------------|--------|
| | | | | | As at December 31, | | | | | |
| | | | | | 2019 | 2020 | 2021 | 2022 | | |
| Star Plus Aiyou (Kunshan) E-Commerce Company Limited (星創愛優(昆山)電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | September 29, 2022 | RMB5,000,000 | Media and TV program production management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Star Plus Meishang (Kunshan) E-Commerce Company Limited (星創美尚(昆山)電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | December 1, 2022 | RMB5,000,000 | On-line trading management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Star Plus Meiyou (Kunshan) E-Commerce Company Limited (星創美優(昆山)電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | December 1, 2022 | RMB5,000,000 | On-line trading management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Star Plus Aijia (Kunshan) E-Commerce Company Limited (星創愛嘉(昆山)電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | December 1, 2022 | RMB5,000,000 | On-line trading management, the PRC | N/A | N/A | N/A | 100% | 100% | (ii) |
| Star Plus IP (HK) Limited | HK, limited liability company | August 2, 2018 | HK\$1 | Inactive, HK | 100% | 100% | 100% | 100% | 100% | (iii) |
| Star Plus Entertainment (Kunshan) Company Limited (星創藝(昆山)文娛有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | June 29, 2021 | RMB1,000,000 | Inactive, the PRC | N/A | N/A | 100% | 100% | 100% | (ii) |
| Star Plus Excellence (Kunshan) E-Commerce Company Limited (星創優選(昆山)電子商務有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | June 7, 2021 | RMB1,000,000 | Inactive, the PRC | N/A | N/A | 100% | 100% | 100% | (ii) |
| Star Plus IP (Kunshan) Creative Cultural Company Limited (星創智權(昆山)創意文化有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | June 30, 2021 | RMB1,000,000 | On-line trading management, the PRC | N/A | N/A | 100% | 100% | 100% | (ii) |
| Horgos Star Plus Creative Information Consulting Company Limited (霍爾果斯巨室明創資訊諮詢有限公司) ⁽ⁱ⁾ | The PRC, limited liability company | December 19, 2017 | RMB2,000,000 | TV program production advisory, the PRC | 100% | 100% | N/A | N/A | N/A | (viii) |

Notes:

- (i) The official names of these subsidiaries are in Chinese. The English names are for identification purpose only.
- (ii) No statutory financial statements have been prepared for those subsidiaries during the Track Record Period, as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation, unless otherwise required by tax bureau.
- (iii) The statutory financial statements of these subsidiaries for the year ended December 31 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. The statutory financial statements for the years ended December 31, 2020 and 2021 were audited by D & Partners CPA Limited.
- (iv) The statutory financial statement of Beijing Star Plus Action E-Commerce Company Limited for the year ended December 31, 2020 was audited by Beijing ZhongLinChengNuo Certified Public Accountants Co., Ltd.
- (v) The statutory financial statements of Kunshan Star Plus Action E-Commerce Company Limited for the years ended December 31, 2019, 2020 and 2021 were audited by Beijing JinHaiLanTian Certified Public Accountants (General Partnership).
- (vi) The other 50% equity shares of Secret Music (HK) Limited were held by Sapphire Prismatic, which is wholly owned by Mr. Chan, Yu-Hao. Since the Group owns more than half of the voting rights in Secret Music (HK) Limited, the Group can control Secret Music (HK) and its subsidiaries, Beijing Secret Music Cultural Development Company Limited and Kunshan Secret Music Cultural Development Company Limited.

- (vii) During the Track Record Period, the Group acted as the general partner and appointed the managing partner of Kunshan JST One Management Centre (Limited Partnership). The Group had control over this entity throughout the Track Record Period.
- (viii) The entity was deregistered on December 15, 2021.
- (ix) The statutory financial statement of Star Plus Cultural (Kunshan) Investment Company Limited for the years ended December 31, 2019 and 2020 were audited by Beijing ZhongLinChengNuo Certified Public Accountants Co., Ltd.
- (x) The statutory financial statements of Star Plus Development Limited for the years ended December 31, 2019, 2020 and 2021 were audited by D & Partners CPA Limited.
- (xi) The statutory financial statements of Star Plus Action (HK) Limited were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the year ended December 31, 2019 and D & Partners CPA Limited for the years ended December 31, 2020 and 2021.

All subsidiaries have adopted December 31 as their fiscal year end date.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the new retail business and the IP creation and operation business, were under common control of the Controlling Shareholders, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the historical financial information of the companies now comprising the Group, under the common control of the Controlling Shareholders immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from the Controlling Shareholders’ perspective. No amount is recognized in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated. The Historical Financial Information is for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) are set out below. The Historical Financial Information has been prepared on a historical cost basis unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period, including HKFRS 9 Financial Instruments ("HKFRS 9"), HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") and HKFRS 16 Leases ("HKFRS 16").

New standards and amendments to existing standards not yet adopted

The following new standards, amendments and interpretation to existing standards that have been issued but not yet effective for the Track Record Period and have not been early adopted by the Group:

| | | Effective for reporting periods beginning on or after |
|--|---|--|
| HKFRS 16 (Amendments) | Lease Liability in a Sale and Leaseback | January 1, 2024 |
| HKAS 12 (Amendments) | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | January 1, 2023 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | January 1, 2024 |
| HKAS 1 (Amendments) | Non-current Liabilities with Governments | January 1, 2024 |
| HKAS 8 (Amendments) | Definition of Accounting Estimates | January 1, 2023 |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies | January 1, 2023 |
| HKFRS 17 | Insurance Contracts | January 1, 2023 |
| Hong Kong Interpretation 5 (2020) | Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | January 1, 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Group will adopt the above new standards and amendments to standards when they become effective. The Group has commenced an assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new standards and amendments to standards.

2.2 Principles of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations not under common control by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Historical Financial Information.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations (other than business combinations under common control), regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODMs"). The CODMs, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the companies comprising the Group are measured using the currency of the primary economic environment in which these companies operate (the "functional currency"). The functional currency of the Company and the companies outside of PRC is Hong Kong dollar ("HK\$"). The functional currency of the companies in PRC is RMB. The Historical Financial Information are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income within "other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|----------------------------------|---|
| Land and buildings | 30 years |
| Computers | 5 years |
| Furniture, fixture and equipment | 5–10 years |
| Leasehold improvements | Over the shorter of their expected useful lives and the lease terms |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the consolidated statement of comprehensive income.

2.8 Intangible assets

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line method over their estimated useful lives of 10 years. Based on the current functionalities equipped by the acquired computer software and the Group's daily operation needs, the Group considers useful lives of 10 years are the best estimation under the current financial reporting needs.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "finance income" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/gains, net" and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within "Other (losses)/gains, net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "other (losses)/gains, net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets, see Note 3.1(b) for details.

In addition, management also reviews the credit risk of individual debtors by considering the relationship with customers and their financial position to assess whether further provision was needed at the end of the reporting period.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expense.

2.13 TV program rights

TV program rights are stated at the lower of cost and net realisable value. Cost of TV program rights under production includes all direct costs associated with the production of TV program rights. TV program rights under production are transferred to "TV program rights completed" upon completion of production. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expense.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those with maturities greater than twelve months after the financial position date are classified as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Cash and cash equivalents and time deposits

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits represent deposits placed with banks with original maturities more than three months but less than one year.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Financial instrument with redemption rights

Redemption rights issued to investor represents an obligation by the Company to buy back the shares upon occurrence of certain future events at a fixed redemption amount. Such redemption rights will be automatically cancelled with the closing of a qualified initial public offering of the Company's shares.

The potential cash payments related to the redemption right are accounted for as a financial liability. Such liability is initially recognized at the present value of the redemption amount and would result in decrease of the Company's equity. The financial liability shall be subsequently measured at amortised cost.

If the redemption rights expire without delivery, the carrying amount of the financial liability is reclassified to equity. The financial liability is classified as a non-current liability if the redemption happens at least 12 months after the end of the reporting period.

2.19 Borrowings and borrowing costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the Track Record Period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognized if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it is from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and

are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.21 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) *Post-employment obligations*

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group's subsidiaries operating in the PRC have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. The Group has no further payment obligations once the contributions have been paid. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) *Housing funds, medical insurances and other social insurances*

PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other social insurance plan. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds, medical insurances and other social insurance are expensed as incurred.

(d) *Equity-settled share-based payment*

The fair value of the share options granted to employees is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and

- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.22 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost expense.

2.23 Revenue recognition

Revenue is recognized when or as the control of goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, revenue may be recognized over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of the performance obligation is measured based on time-based measure of progress that best depicts the Group's performance in satisfying the performance obligation.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The following is a description of the accounting policy for the principal revenue streams of the Group:

(a) Revenue from new retail business

Sales of health management and skincare products

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally upon the acceptance of the products. The Group recognizes revenue in an amount equal to the contract sales prices less value-added tax, estimated sales allowances for sales returns, volume discounts and incentives paid to distributors. Estimated sales allowances for sales returns, volume discounts and incentives paid to distributors are made based on contract terms and historical patterns.

The Group is regarded as the principal since in combination, that (a) the Group is the primary obligator to provide the specified good or service to distributors; (b) the Group keeps all the inventory risk and is responsible for delivery of products; (c) the Group has discretion in establishing the pricing policy for the health management and skincare products and pre-determine the discounts, incentives and fees required to promote the sales. Thus revenue from sales of health management and skincare products is recognized on a gross basis.

(b) Revenue from IP creation and operation

Revenue from production of TV programs

Where the Group undertook the role of investor for the production of TV programs, it either:

- licenses the copyright and ancillary rights to such TV programs to the customers for fixed fees in a period of time in designated geographical region. Revenue is recognized at the point in time upon delivery and acceptance of the final product by the customers as control of the TV programs is transferred so that the customers can direct the use and obtain the associated benefits; or
- sells the copyright and ancillary rights of such TV programs to customers in exchange for cash consideration calculated based on an agreed mechanism, e.g. advertisement income for each episodes in designated geographical region. This constitutes a variable consideration and such revenue is only recognized to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Revenue from production and licensing of entertainment videos

The Group produces and licenses entertainment videos for customers' specific events with fixed considerations. Revenue is recognized at the point in time when the videos are available to the customers, generally on delivery of the videos when the customers are provided with rights to use the videos.

Revenue from event planning and management

Revenue from event planning and management where the Group undertook the role of concert or Internet live broadcasting management, is recognized over the show or event period of a project as customers have simultaneously received and consumed the benefits provided by the Group's services. Revenue is recognized using a straight-line basis over the term of the contract.

Licensing and royalty income

The Group licenses proprietary celebrity intellectual properties and created media content to third parties. Any agreed upfront licensing fee is recognized on a straight-line basis over the period of the license agreement. Royalty income from the licensing arrangements is recognized in accordance with the terms of agreements.

Since the Group has the ability to determine the pricing of the TV programs and entertainment videos licensing and the concerts or internet live broadcasting, and negotiate the service terms, and bears the relevant costs including the self-production costs of TV programs, entertainment videos and concerts, and take responsibility for managing the licensed libraries, the Group is regarded as the principal and recognizes revenue from the above revenue streams on a gross basis and recognizes production costs and other applicable fulfillment costs as cost of revenue.

Celebrity IP management income

Revenue from celebrity IP management arises from the service fee earned by the Group by managing IP of certain celebrities and is recognized on a straight-line basis over the show or broadcasting period.

Considering that the celebrities whose IP currently is managed by the Group has the discretion to determine the basis of performances measurement and the service prices in the contract with advertisers and bear majority of the service costs, the Group is regarded as an agent in such an arrangement and, therefore, recognizes revenue from Celebrity IP management on a net basis.

2.24 Earning per share**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury stocks.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

The Group, as a lessee, leases offices premises with lease terms from 1 to 3 years. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments, where applicable:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payment that are based on an index or a rate;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Dividend distribution

Dividend distribution to the equity holders of the companies comprising the Group is recognized as a liability in the Historical Financial Information during the period in which the dividends are approved by the equity holders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Grants that compensate the Group for expenses incurred are recognized in the consolidated statements of comprehensive income within "Other income" on a systematic basis in the same periods in which the expenses are recognized.

2.28 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the finance department under the supervision of the board of directors. The board provides principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets at the respective dates of consolidated statements of financial position are as follows:

| | As at December 31, | | | |
|---------------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets | | | | |
| RMB | – | – | 105,753 | 109,558 |
| US\$ | – | 11,473 | 31,342 | 599 |
| NT\$ | – | – | – | 4,562 |
| | – | 11,473 | 137,095 | 114,719 |

As at December 31, 2019, 2020, 2021 and 2022, the Group's entities with functional currency of HK\$ had aggregate US\$ net monetary assets of Nil, RMB11,473,000, RMB31,342,000 and RMB599,000, respectively. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to US\$, management therefore considers that there is no significant foreign exchange risk with respect to US\$.

As at December 31, 2021 and 2022, if RMB had strengthened/weakened by 5% against HK\$ with all other variables held constant, the pre-tax profit would have been approximately RMB5,288,000 and RMB5,478,000 higher/lower for the year ended December 31, 2021 and 2022, respectively.

As at December 31, 2022, if RMB had strengthened/weakened by 5% against NT\$ with all other variables held constant, the pre-tax profit would have been approximately RMB228,000 higher/lower for the year ended December 31, 2022.

(ii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. During the Track Record Period, the Group has not used any financial instrument to hedge its exposure to interest rate risk.

The Group's interest rate profile as monitored by management is set out as below:

| | As at December 31, | | | |
|--|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial instruments with fixed rate | | | | |
| Borrowings | – | – | 20,000 | 15,000 |

(iii) *Price risk*

The Group is exposed to price risk in respect of the financial assets measured at fair value through profit or loss, including investments in wealth management products ("WMPs"). To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The sensitivity analysis is performed by management, see Note 3.3(a) for details.

(b) *Credit risk*

(i) *Risk management*

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from financial assets, cash and cash equivalents, restricted bank deposits and trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to these assets.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new debtor, the Group assesses the potential debtor's credit quality and defines credit limits by debtor. Credit limits granted to debtors are reviewed regularly. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

As at December 31, 2019, 2020, 2021 and 2022, all the bank deposits are deposited in or managed by state-owned or reputable banks which are all high-credit-quality financial institutions without significant credit risk.

(ii) *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model.

- Trade and bill receivables
- Other receivables

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates.

Management has assessed the expected credit losses on individual basis or grouped based on shared credit risk characteristics and the days past due. The assessment is based on the background and reputation of the customers, historical settlement records and past experience. Management also considered the default rates and loss given default from external rating agency report and forward-looking information that may impact the customer's ability to repay the outstanding balances. Trade receivables with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

On that basis, the loss allowance as at December 31, 2019, 2020, 2021 and 2022 was determined for trade receivables, and the expected credit losses below have incorporated forward-looking information.

| | Not overdue | Overdue 1-30 days | Overdue 31-60 days | Overdue 61-90 days | Overdue 91-120 days | Overdue over 121 days | Total |
|------------------------------------|-------------|----------------------|-----------------------|-----------------------|------------------------|-----------------------------|---------|
| Trade receivables | | | | | | | |
| At December 31, 2019 | | | | | | | |
| Expected loss rate | 0.69% | - | - | - | - | - | |
| Gross carrying amount (RMB'000) | 254 | - | - | - | - | - | 254 |
| Loss allowance provision (RMB'000) | (2) | - | - | - | - | - | (2) |
| At December 31, 2020 | | | | | | | |
| Expected loss rate | 1.85% | 11.59% | - | - | - | 46.43% | |
| Gross carrying amount (RMB'000) | 40,214 | 630 | - | - | - | 252 | 41,096 |
| Loss allowance provision (RMB'000) | (742) | (73) | - | - | - | (117) | (932) |
| At December 31, 2021 | | | | | | | |
| Expected loss rate | 0.86% | 7.43% | - | 13.40% | - | 54.17% | |
| Gross carrying amount (RMB'000) | 24,528 | 1,683 | - | 194 | - | 72 | 26,477 |
| Loss allowance provision (RMB'000) | (210) | (125) | - | (26) | - | (39) | (400) |
| At December 31, 2022 | | | | | | | |
| Expected loss rate | 0.51% | 5.80% | 11.57% | 16.43% | 21.02% | 26.09% | |
| Gross carrying amount (RMB'000) | 26,630 | 9,365 | 2,144 | 414 | 628 | 23 | 39,204 |
| Loss allowance provision (RMB'000) | (137) | (543) | (248) | (68) | (132) | (6) | (1,134) |

As at December 31, 2022, the expected credit loss rate was lower because most of the trade receivables from the IP creation and operation business (as defined in note 5 below) had better credit ratings than prior years. In addition, the higher expected credit loss rates as at December 31, 2020 and 2021 were due to the adverse impact of COVID-19 to the macroeconomic environment on the forward-looking factor.

Impairment losses on trade receivables are separately presented as “Reversal of/(provision for) impairment losses on financial assets” in the consolidated statements of comprehensive income. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Other receivables

Other receivables mainly include amounts due from related parties, deposits receivables, loans to third parties and staff advances. The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experiences. The Group measures credit risk using Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss Given Default (“LGD”) for deposits and other receivables. This is the approach used for the purposes of measuring Expected Credit Loss (“ECL”) under HKFRS.

- Other receivables that are not credit-impaired on initial recognition are classified in ‘Stage 1’ and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk (specifically, when the debtors is more than 30 days past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:
 - the debtor is more than 90 days past due on its contractual payments,
 - actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations,
 - actual or expected significant changes in the operating results of individual property owner or the borrower.

The average loss rate applied as at the December 31, 2019, 2020, 2021 and 2022 was 0.22%, 10.13%, 0.70% and 0.84% respectively.

As at December 31, 2019, 2020, 2021 and 2022, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

| | <u>Trade receivables</u> | <u>Other receivables</u> | <u>Total</u> |
|---|--------------------------|--------------------------|---------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1, 2019 | 121 | 40 | 161 |
| (Reversal of)/provision for impairment losses on financial assets | <u>(119)</u> | <u>46</u> | <u>(73)</u> |
| At December 31, 2019 | <u>2</u> | <u>86</u> | <u>88</u> |
| At January 1, 2020 | 2 | 86 | 88 |
| Provision for impairment losses on financial assets | <u>930</u> | <u>3,522</u> | <u>4,452</u> |
| At December 31, 2020 | <u>932</u> | <u>3,608</u> | <u>4,540</u> |
| At January 1, 2021 | 932 | 3,608 | 4,540 |
| Reversal of impairment losses on financial assets | <u>(532)</u> | <u>(390)</u> | <u>(922)</u> |
| Receivables written off as uncollectable | <u>–</u> | <u>(3,032)</u> | <u>(3,032)</u> |
| At December 31, 2021 | <u><u>400</u></u> | <u><u>186</u></u> | <u><u>586</u></u> |
| At January 1, 2022 | 400 | 186 | 586 |
| Provision for impairment losses on financial assets | <u>734</u> | <u>11</u> | <u>745</u> |
| At December 31, 2022 | <u><u>1,134</u></u> | <u><u>197</u></u> | <u><u>1,331</u></u> |

(c) Liquidity risk

To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | On demand | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|------------------|-----------------------------|----------------------------------|----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at December 31, 2019 | | | | | |
| Trade and other payables* | – | 122,416 | – | – | 122,416 |
| Lease liabilities | – | 1,125 | 665 | 980 | 2,770 |
| | <u>–</u> | <u>123,541</u> | <u>665</u> | <u>980</u> | <u>125,186</u> |
| As at December 31, 2020 | | | | | |
| Trade and other payables* | – | 53,856 | – | – | 53,856 |
| Lease liabilities | – | 1,843 | 981 | 377 | 3,201 |
| | <u>–</u> | <u>55,699</u> | <u>981</u> | <u>377</u> | <u>57,057</u> |
| As at December 31, 2021 | | | | | |
| Trade and other payables* | – | 30,378 | – | – | 30,378 |
| Borrowing and interest payables | – | 6,023 | 5,734 | 10,603 | 22,360 |
| Lease liabilities | – | 3,694 | 1,203 | – | 4,897 |
| Financial instrument with redemption rights | 163,520 | – | – | – | 163,520 |
| | <u>163,520</u> | <u>40,095</u> | <u>6,937</u> | <u>10,603</u> | <u>221,155</u> |
| As at December 31, 2022 | | | | | |
| Trade and other payables* | – | 45,952 | – | – | 45,952 |
| Borrowing and interest payables | – | 5,734 | 5,447 | 5,156 | 16,337 |
| Lease liabilities | – | 2,059 | 231 | – | 2,290 |
| Financial instrument with redemption rights | 178,654 | – | – | – | 178,654 |
| | <u>178,654</u> | <u>53,745</u> | <u>5,678</u> | <u>5,156</u> | <u>243,233</u> |

* Excluding salaries and staff welfare payable and other taxes payable.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, financial instrument with redemption rights, lease liabilities, amounts due to related parties and amounts due to third parties less cash and cash equivalents and restricted bank deposits. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at December 31, 2019, 2020, 2021 and 2022 were as follows:

| | As at December 31, | | | |
|-----------------|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Net debt/(cash) | 35,702 | (118,434) | (24,037) | 13,113 |
| Total capital | 61,369 | 16,586 | 141,157 | 247,224 |
| Gearing ratio | 58.18% | N/A | N/A | 5.30% |

3.3 Fair value estimation

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has categorised its financial instruments into three levels as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for investment in certain WMPs without observable market data.

(a) *Financial assets and liabilities*(i) *Fair value measurements using significant unobservable inputs (Level 3)*

During the year ended December 31, 2021, the Group purchased certain wealth management products with floating returns from state-owned or reputable national banks in the PRC, all of which were included in Level 3. As of December 31, 2021, all these WMPs have been redeemed.

The fair value assessment methods and related key assumptions and judgments adopted by the Group's management is income approach (specifically, discounted cash flow method): Uses valuation techniques to convert future amounts (specifically, cash flows based on the expected rate of return) to a present amount.

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets at FVPL | | | | |
| At beginning of the year | – | – | – | – |
| Purchase of financial assets at FVPL | – | – | 80,000 | – |
| Redemption | – | – | (80,435) | – |
| Change in fair value through profit or loss (<i>Note 6</i>) | – | – | 435 | – |
| At the end of the year | – | – | – | – |

(ii) *Valuation inputs and relationships to fair value*

| Description | Fair value as at December 31, 2021 | Significant unobservable inputs | Range of inputs as at December 31, 2021 | Relationship of unobservable inputs to fair value |
|--------------------|------------------------------------|---------------------------------|---|---|
| | <i>RMB'000</i> | | | |
| Investment in WMPs | – | Expected rate of return | 3.30%–3.54% | The higher the expected rate of return, the higher the fair value |
| | | Discount rate | 3.85% | The higher the discount rate, the lower the fair value |

A change in the expected rate of return or the discount rate by 1% does not have significant impact on the fair value as at December 31, 2019, 2020, 2021 and 2022.

All of these WMPs are sponsored and managed by state-owned or reputable national banks in the PRC. These WMPs are short-term investments which are denominated in RMB and redeemable within three months. The expected rate of return of the WMPs are updated by the security companies and banks periodically on a quarterly or more frequent basis. Management uses the expected rate of return for approximation for cash flow assessment in evaluating the fair values of the WMPs.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of financial assets at amortised cost

The Group management determine the provision for impairment of trade and other receivables based on an assessment of the expected credit losses of these receivables. The assessment is based on the historical loss experience, adjusted to reflect the effects of current market conditions and forward-looking information, which requires the use of judgements and estimates. Management reassess the provision at each reporting date.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in consumer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimations by each of the balance sheet date.

(c) Net realisable value of TV program rights

The Group's management determines the impairment for the Group's TV program rights with reference to the estimated future economic benefits derived from the use of these assets. These estimates are based on the current market condition and the historical experience of the economic benefits derived from the assets of similar nature. The Group takes into consideration both internal and external market information, for example, the sales forecasts, sales and distribution costs budget and the general economic condition of the relevant markets. Management reassesses these estimations by each of the balance sheet date.

(d) Current and deferred income taxes

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Recognition of share-based compensation expenses

The fair value of options is determined using the Binomial option-pricing model at the grant date, and is expected to be expensed over the respective vesting period.

(f) Financial instrument with redemption rights

As mentioned in Note 30, the Company has issued ordinary shares with redemption rights to a pre-IPO investor. The potential cash payments relating to the redemption rights are accounted for as a financial liability. The liability is initially recognized at present value of the redemption amount, which is determined by management in accordance with the terms under the investment agreement. Significant judgements and estimates are involved in making assumptions, including discount rates, in determining the present value of the redemption amount.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. Management has determined the operating segments based on the information reviewed by the Board of Directors of the Company for the purposes of allocating resources and assessing performance.

The Board of Directors of the Company considers the business from perspective of types of goods or services delivered or provided. During the Track Record Period, the Group's operating and reportable segments are as follows:

- New retail of healthcare and other products in the PRC (“New retail”); and
- IP creations, media content creation, event planning and Celebrity IP management (“IP creation and operation”).

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

For the year ended December 31, 2019

| | <u>New retail</u> | <u>IP creation and operation</u> | <u>Total</u> |
|---------------------------------|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | | | |
| – recognized at a point in time | 80,797 | 353 | 81,150 |
| – recognized over time | – | 5,435 | 5,435 |
| Total segment revenue | <u>80,797</u> | <u>5,788</u> | <u>86,585</u> |

For the year ended December 31, 2020

| | <u>New retail</u> | <u>IP creation and operation</u> | <u>Total</u> |
|---------------------------------|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | | | |
| – recognized at a point in time | 365,175 | 83,348 | 448,523 |
| – recognized over time | – | 8,421 | 8,421 |
| Total segment revenue | <u>365,175</u> | <u>91,769</u> | <u>456,944</u> |

For the year ended December 31, 2021

| | <u>New retail</u> | <u>IP creation and operation</u> | <u>Total</u> |
|---------------------------------|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | | | |
| – recognized at a point in time | 301,395 | 29,390 | 330,785 |
| – recognized over time | – | 34,560 | 34,560 |
| Total segment revenue | <u>301,395</u> | <u>63,950</u> | <u>365,345</u> |

For the year ended December 31, 2022

| | <u>New retail</u> | <u>IP creation and operation</u> | <u>Total</u> |
|---------------------------------|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | | | |
| – recognized at a point in time | 240,099 | 2,600 | 242,699 |
| – recognized over time | – | 101,458 | 101,458 |
| Total segment revenue | <u>240,099</u> | <u>104,058</u> | <u>344,157</u> |

(a) **Segment revenue and results**

For the year ended December 31, 2019

| | <u>New retail</u> | <u>IP creation and operation</u> | <u>Total</u> |
|--|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | 80,797 | 5,788 | 86,585 |
| Segment results | 55,136 | 1,477 | 56,613 |
| Selling and marketing expenses | | | (14,393) |
| General and administrative expenses | | | (10,330) |
| Reversal of impairment losses on financial assets | | | 73 |
| Other income | | | 151 |
| Other gains/(losses), net | | | (114) |
| Finance income/(costs), net | | | (160) |
| Profit before income tax | | | <u>31,840</u> |

For the year ended December 31, 2020

| | New retail | IP creation and operation | Total |
|--|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | 365,175 | 91,769 | 456,944 |
| Segment results | 254,488 | (21,699) | 232,789 |
| Selling and marketing expenses | | | (94,914) |
| General and administrative expenses | | | (31,563) |
| Provision for impairment losses on financial assets | | | (4,452) |
| Other income | | | 1,692 |
| Other gains/(losses), net | | | 10,254 |
| Finance income/(costs), net | | | 35 |
| Profit before income tax | | | <u>113,841</u> |

For the year ended December 31, 2021

| | New retail | IP creation and operation | Total |
|--|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | 301,395 | 63,950 | 365,345 |
| Segment results | 205,470 | 21,912 | 227,382 |
| Selling and marketing expenses | | | (93,809) |
| General and administrative expenses | | | (65,091) |
| Reversal of impairment losses on financial assets | | | 922 |
| Other income | | | 234 |
| Other gains/(losses), net | | | 3,956 |
| Finance income/(costs), net | | | (8,942) |
| Profit before income tax | | | <u>64,652</u> |

For the year ended December 31, 2022

| | New retail | IP creation and operation | Total |
|--|-------------------|--------------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment revenue | 240,099 | 104,058 | 344,157 |
| Segment results | 150,746 | 72,082 | 222,828 |
| Selling and marketing expenses | | | (72,447) |
| General and administrative expenses | | | (64,094) |
| Provision for impairment losses on financial assets | | | (745) |
| Other income | | | 21,844 |
| Other expense | | | (5,798) |
| Other gains/(losses), net | | | (9,553) |
| Finance income/(costs), net | | | 1,103 |
| Profit before income tax | | | <u>93,138</u> |

During the years ended December 31, 2019, 2020, 2021 and 2022, all of the segment revenue reported above was from external customers and there were no inter-segment sales.

Segment results represent the gross profit/(loss) generated by each segment. This is the measure reported to the Board of Directors of the Company for the purpose of resource allocation and performance assessments.

Segment assets and liabilities are not regularly reported to the Board of Directors of the Company and therefore information of separate segment assets and liabilities is not presented.

(b) Geographical information

Most of the Group's segment revenues are derived from the PRC except certain revenue from the IP creation and operation segment.

The amount of the Group's revenue from external customers broken down by geographical locations and revenue presented based on the location of the operations of the relevant business units are detailed below:

| | Year ended December 31, | | | |
|----------------|--------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | | | |
| Mainland China | 86,232 | 437,533 | 365,345 | 344,157 |
| Others | 353 | 19,411 | – | – |
| | <u>86,585</u> | <u>456,944</u> | <u>365,345</u> | <u>344,157</u> |

(c) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service is as follows:

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Sales of health management products and skincare products | 75,377 | 361,209 | 296,535 | 232,308 |
| Revenue from production of TV programs | – | 81,590 | – | – |
| Revenue from production and licensing of entertainment videos | – | – | 24,867 | 5,660 |
| Revenue from event planning and management | 4,761 | 4,977 | 29,532 | 47,658 |
| Revenue from celebrity IP management | – | – | – | 41,708 |
| Licensing and royalty income | 674 | 3,444 | 4,485 | 8,473 |
| Sales of other products | 5,773 | 5,724 | 9,926 | 8,350 |
| | <u>86,585</u> | <u>456,944</u> | <u>365,345</u> | <u>344,157</u> |

(d) Information about major customers

The major customers which contributed more than 10% of the total revenue for the years ended December 31, 2019, 2020, 2021 and 2022 are listed as below:

| | Year ended December 31, | | | |
|------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A | N/A* | 62,409 | N/A* | N/A* |

* Such amounts did not exceed 10% of the total revenue for the years ended December 31, 2019, 2021 and 2022.

6 OTHER INCOME, EXPENSE AND OTHER (LOSSES)/GAINS – NET

| | Year ended December 31, | | | |
|---|-------------------------|---------------|--------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Other income | | | | |
| Forfeited deposit | – | 1,600 | – | – |
| Government grants (<i>Note (a)</i>) | 123 | 1 | 116 | 16,471 |
| Additional deduction of input VAT | 28 | 91 | 118 | 289 |
| Income from other activities (<i>Note (b)</i>) | – | – | – | 5,084 |
| | <u>151</u> | <u>1,692</u> | <u>234</u> | <u>21,844</u> |
| Other expense | | | | |
| Expenses from other activities (<i>Note (b)</i>) | – | – | – | 5,798 |
| Other (losses)/gains – net | | | | |
| Settlement of <i>J-Style Trip</i> 's investment (<i>Note (c)</i>) | – | 9,400 | – | – |
| Net foreign exchange gains/(losses) | – | 34 | 3,558 | (9,855) |
| Fair value change on financial assets at FVPL | – | – | 435 | – |
| Gains on disposal of subsidiaries (<i>Note 35</i>) | – | 829 | – | – |
| Losses on deregistration of a subsidiary | – | – | (54) | – |
| Others | (114) | (9) | 17 | 302 |
| | <u>(114)</u> | <u>10,254</u> | <u>3,956</u> | <u>(9,553)</u> |

Notes:

- (a) Governments grants received in January and December 2022 primarily comprised financial subsidies from the local government for maintain stability of employees and business during the COVID-19 pandemic and a one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone. These grants were recognized in the consolidated statement of comprehensive income upon receipt. There are no unfulfilled conditions or other contingencies attached to the grants.
- (b) The Group awarded smartphones as incentives to their customers who achieved a certain level of orders of specific products during the period from February 10, 2022 to March 31, 2022. Such arrangement with the customers were identified as separate performance obligations in the relevant sales transactions. Accordingly, a portion of the proceeds received from the customers was allocated as other income based on the relative standalone market selling price of the smartphones with the related costs being recognized as other expenses.
- (c) In March 2018 and April 2019, an independent third party paid RMB21,400,000 to the Group as investment in one of the Group's TV programs, *J-Style Trip* (周遊記). Under the agreement, the independent third party would enjoy a return on investment representing 13.375% of the net profit to be derived from this TV program. The fund from the third party was recorded as an other payable as at December 31, 2019 (Note 27). In April 2020, in view of the uncertainty in the timing of the launch of the program due to the outbreak of COVID-19, the independent third party and the Group reached a consensus to early terminate the agreement with an agreed settlement of RMB12,000,000. The difference between funding receipt and settlement payment amounting to RMB9,400,000 was recognized as gain during the year ended December 31, 2020.

7 EXPENSES BY NATURE

Expenses included in cost of revenue, selling and marketing expenses and general and administrative expenses are analysed as follows:

| | Year ended December 31, | | | |
|--|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost of goods sold | 24,239 | 102,223 | 86,504 | 76,590 |
| Cost of TV program rights (Note 16) | – | 106,024 | – | – |
| Advertising and marketing expenses | 4,423 | 41,564 | 35,657 | 17,655 |
| Employee benefit expense (Note 8) | 9,074 | 23,856 | 42,732 | 51,504 |
| Commissions | 3,290 | 38,026 | 40,122 | 32,309 |
| Travelling and entertainment expenses | 2,558 | 3,604 | 4,920 | 4,176 |
| Legal and professional fees | 1,721 | 6,029 | 9,663 | 6,202 |
| Cost of event planning and management services | 3,901 | 5,414 | 36,311 | 29,529 |
| Office expenses | 1,067 | 3,470 | 2,583 | 3,252 |
| Other tax and surcharges | 749 | 3,273 | 2,374 | 2,008 |
| Provision for impairment of inventories (Note 21) | – | 3,029 | 6,189 | 6,725 |
| Transportation and logistics expenses | 818 | 2,250 | 6,238 | 5,039 |
| Depreciation of right-of-use assets (Note 13) | 793 | 1,755 | 2,278 | 2,608 |
| Donations | – | 1,494 | – | 500 |
| Listing expenses | – | 2,893 | 15,535 | 10,059 |
| Depreciation of property, plant and equipment (Note 12) | 94 | 591 | 1,554 | 3,606 |
| Rental expenses for short-term leases (Note 26) | 304 | 423 | 655 | 1,011 |
| Auditor's remuneration | 49 | 55 | 91 | – |
| Amortisation of intangible assets (Note 14) | 1 | 13 | 39 | 144 |
| Others | 1,614 | 4,646 | 3,418 | 4,953 |
| | <u>54,695</u> | <u>350,632</u> | <u>296,863</u> | <u>257,870</u> |

8 EMPLOYEE BENEFIT EXPENSE

| | Year ended December 31, | | | |
|--|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, wages and bonuses | 7,133 | 19,241 | 30,012 | 37,694 |
| Share-based compensation expenses (Note 23) | – | 1,840 | 3,568 | 2,216 |
| Pension costs – defined contribution plans (Note (a)) | 999 | 108 | 3,222 | 4,486 |
| Other social security costs, housing benefits and other employee benefits | 942 | 2,667 | 5,930 | 7,108 |
| | <u>9,074</u> | <u>23,856</u> | <u>42,732</u> | <u>51,504</u> |

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February 2020 to December 2020 have been reduced or exempted accordingly.

Also, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a monthly cap of HK\$1,500 and thereafter contributions are voluntary.

No forfeited contributions is available to reduce the contributions payable in future years.

(b) Five highest paid individuals

For the years ended December 31, 2019, 2020, 2021 and 2022, the five individuals whose emoluments were the highest in the Group included nil, nil, 3 and 3 directors, respectively and their emoluments are reflected in the analysis presented in directors' emoluments. The emoluments payable to the remaining 5, 5, 2 and 2 individuals among the top five highest paid individuals were as follows:

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, wages and bonuses | 1,669 | 2,766 | 1,496 | 2,609 |
| Share-based compensation expenses (<i>Note 23</i>) | – | 549 | 899 | 447 |
| Pension costs – defined contribution plans (<i>Note (a)</i>) | 204 | 9 | 114 | 106 |
| Other social security costs, housing benefits and other employee benefits | 258 | 185 | 144 | 129 |
| | <u>2,131</u> | <u>3,509</u> | <u>2,653</u> | <u>3,291</u> |

The five highest paid individuals fell within the following bands:

| | Year ended December 31, | | | |
|-----------------------------|-------------------------|----------|----------|----------|
| | 2019 | 2020 | 2021 | 2022 |
| | | | | |
| Emolument band | | | | |
| Less than HK\$1,000,000 | 5 | 4 | – | – |
| HK\$1,000,001–HK\$1,500,000 | – | 1 | 1 | – |
| HK\$1,500,001–HK\$2,000,000 | – | – | 1 | 2 |
| | <u>5</u> | <u>5</u> | <u>2</u> | <u>2</u> |

(c) Directors' emoluments

No remuneration was paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the years ended December 31, 2019, 2020, 2021 and 2022, except for the follows:

| Name | Salaries, wages and bonuses | Share-based compensation expenses | Pension costs – defined contribution plans | Other social security costs, housing benefits and other employee benefits | Total |
|---|-----------------------------------|---|--|---|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Year ended December 31, 2020 | | | | | |
| Executive directors | | | | | |
| Ms. Ma (<i>Note (i)</i>) | – | 371 | – | – | 371 |
| Year ended December 31, 2021 | | | | | |
| Executive directors | | | | | |
| Ms. Ma (<i>Note (i)</i>) | 1,254 | 720 | – | – | 1,974 |
| Dr. Qian, Sam Zhongshan (<i>Note (i)</i>) | 1,354 | – | 15 | – | 1,369 |
| Mr. Lai (<i>Note (i)</i>) | 1,439 | – | 11 | – | 1,450 |
| Year ended December 31, 2022 | | | | | |
| Executive directors | | | | | |
| Ms. Ma (<i>Note (i)</i>) | 1,119 | 447 | – | 35 | 1,601 |
| Dr. Qian, Sam Zhongshan (<i>Note (i)</i>) | 1,334 | – | 15 | – | 1,349 |
| Mr. Lai (<i>Note (i)</i>) | 1,497 | – | 15 | – | 1,512 |

Notes:

- (i) The board of directors of the Company up to December 31, 2022 comprised:

Ms. Ma, Dr. Qian Sam Zhongshan and Mr. Lai who were appointed as executive directors of the Company on September 13, 2021.

Mr. Yang and Mr. Chen who were appointed as non-executive directors of the Company on September 13, 2021.

- (ii) Directors' retirement benefits

During the Track Record Period, no retirement benefits were paid to or receivable by any director in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

- (iii) Directors' termination benefits

No payment was made to directors as compensation for early termination of the appointment during the Track Record Period.

- (iv) Consideration provided to third parties for making available directors' services

No payment was made to third parties for making available directors' services during the Track Record Period.

- (v) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by, and entities connected with, such directors

Save as disclosed in Note 36, there were no other loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

- (vi) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

9 FINANCE (COSTS)/INCOME, NET

| | Year ended December 31, | | | |
|--|-------------------------|---------|----------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Finance income: | | | | |
| Interest income from time deposits | – | – | 58 | – |
| Interest income on bank deposits | 62 | 479 | 1,248 | 2,443 |
| | 62 | 479 | 1,306 | 2,443 |
| Finance costs: | | | | |
| Interest expense on lease liabilities (Note 26) | (222) | (444) | (224) | (305) |
| Interest expense on bank borrowings | – | – | (1,245) | (1,035) |
| Interest expense on loan from a third party (Note) | – | – | (840) | – |
| Interest expense on financial instrument with redemption rights (Note 30) | – | – | (7,939) | – |
| | (222) | (444) | (10,248) | (1,340) |
| Finance (costs)/income, net | (160) | 35 | (8,942) | 1,103 |

Note: On May 24, 2021, the Group entered into a loan agreement with an independent third party and obtained a six-months loan of RMB14,000,000. The loan carried a fixed interest rate at 12% per annum. In August 2021, the loan was fully repaid by the Group.

10 INCOME TAX EXPENSE

The income tax expenses of the Group for the Track Record Period are analysed as follows:

| | Year ended December 31, | | | |
|--|--------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current income tax | | | | |
| – PRC corporate income tax | 12,611 | 43,661 | 15,303 | 23,662 |
| – Hong Kong profits tax | – | – | 7,724 | 5,733 |
| | <u>12,611</u> | <u>43,661</u> | <u>23,027</u> | <u>29,395</u> |
| Deferred income tax (<i>Note 29</i>) | | | | |
| – PRC corporate income tax | (3,490) | (3,238) | (3,475) | (1,158) |
| – Hong Kong profits tax | – | (2,213) | 2,209 | 3 |
| | <u>(3,490)</u> | <u>(5,451)</u> | <u>(1,266)</u> | <u>(1,155)</u> |
| Income tax expense | <u>9,121</u> | <u>38,210</u> | <u>21,761</u> | <u>28,240</u> |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard tax rate applicable to profit to the respective companies of the Group as follows:

(a) Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax will be imposed on dividend payments by the Company to its shareholders.

(b) Hong Kong

The Group's entities incorporated in Hong Kong are subject to Hong Kong profits tax of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits during the Track Record Period.

(c) PRC Corporate Income Tax ("PRC CIT")

PRC CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the Track Record Period.

(d) PRC withholding tax

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on December 6, 2007, dividends distributed from the profits generated by the PRC companies after January 1, 2008 to their foreign investors shall be subject to a withholding income tax of 5% or 10%. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in the PRC.

- (e) The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the rates prevailing in the jurisdictions in which the Group operates as follows:

| | Year ended December 31, | | | |
|--|-------------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Profit before income tax | 31,840 | 113,841 | 64,652 | 93,138 |
| Tax calculated at domestic tax rate applicable to profits in PRC (25%) | 7,960 | 28,460 | 16,163 | 23,285 |
| Tax effects of: | | | | |
| – Effect of different tax rate | 363 | 3,132 | (1,211) | (1,789) |
| – Expenses not deductible for taxation purposes | 179 | 3,074 | 5,878 | 6,412 |
| – Income not subject to tax | – | (207) | – | (280) |
| – Tax losses not recognized for deferred income tax | 616 | 1,522 | 931 | 596 |
| – Temporary differences not recognized for deferred income tax | 3 | 29 | – | 16 |
| – Withholding income tax on undistributed profits | – | 2,200 | – | – |
| | 9,121 | 38,210 | 21,761 | 28,240 |

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period.

In determining the weighted average number of ordinary shares in issue during the Track Record Period, 500,000,000 shares were deemed to have been in issue on January 1, 2019 as if the Company had been incorporated and the share subdivision (Note 22) had been effective by then. In addition, the 30,094,112 shares issued on February 17, 2021 to the pre-IPO investors were considered as treasury stocks (Note 22 (iv), Note 24 and Note 30) and were excluded from the calculation of earnings per share during the Track Record Period.

| | Year ended December 31, | | | |
|---|-------------------------|-------------|-------------|-------------|
| | 2019 | 2020 | 2021 | 2022 |
| Profit attributable to equity owners of the Company (RMB'000) | 23,559 | 78,064 | 43,649 | 60,389 |
| Weighted average number of ordinary shares in issue | 500,000,000 | 503,231,472 | 512,820,512 | 512,820,512 |
| Basic earnings per share (in RMB/share) | 0.05 | 0.16 | 0.09 | 0.12 |

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all dilutive potential ordinary shares.

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive potential ordinary shares outstanding during the Track Record Period.

12 PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Computers | Furniture, fixture and equipment | Leasehold improvements | Total |
|---|-------------------------------|------------------|---|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At January 1, 2019 | | | | | |
| Cost | – | 160 | 36 | – | 196 |
| Accumulated depreciation | – | – | (4) | – | (4) |
| Net book amount | – | 160 | 32 | – | 192 |
| Year ended December 31, 2019 | | | | | |
| Opening net book value | – | 160 | 32 | – | 192 |
| Additions | – | 105 | 1,112 | – | 1,217 |
| Depreciation | – | (20) | (74) | – | (94) |
| Exchange difference | – | – | (1) | – | (1) |
| Closing net book amount | – | 245 | 1,069 | – | 1,314 |
| At December 31, 2019 | | | | | |
| Cost | – | 265 | 1,148 | – | 1,413 |
| Accumulated depreciation | – | (20) | (79) | – | (99) |
| Net book amount | – | 245 | 1,069 | – | 1,314 |
| Year ended December 31, 2020 | | | | | |
| Opening net book value | – | 245 | 1,069 | – | 1,314 |
| Additions | – | 312 | 399 | 1,849 | 2,560 |
| Depreciation | – | (51) | (197) | (343) | (591) |
| Exchange difference | – | – | (36) | – | (36) |
| Closing net book amount | – | 506 | 1,235 | 1,506 | 3,247 |
| At December 31, 2020 | | | | | |
| Cost | – | 577 | 1,500 | 1,849 | 3,926 |
| Accumulated depreciation | – | (71) | (265) | (343) | (679) |
| Net book amount | – | 506 | 1,235 | 1,506 | 3,247 |

| | Land and buildings | Computers | Furniture, fixture and equipment | Leasehold improvements | Total |
|---|-----------------------|----------------|--|---------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Year ended December 31, 2021 | | | | | |
| Opening net book value | – | 506 | 1,235 | 1,506 | 3,247 |
| Additions | 55,444 | 61 | 1,171 | 626 | 57,302 |
| Depreciation | (409) | (117) | (271) | (757) | (1,554) |
| Exchange difference | – | – | (20) | – | (20) |
| Closing net book amount | <u>55,035</u> | <u>450</u> | <u>2,115</u> | <u>1,375</u> | <u>58,975</u> |
| At December 31, 2021 | | | | | |
| Cost | 55,444 | 638 | 2,652 | 2,475 | 61,208 |
| Accumulated depreciation | (409) | (188) | (537) | (1,100) | (2,233) |
| Net book amount | <u>55,035</u> | <u>450</u> | <u>2,115</u> | <u>1,375</u> | <u>58,975</u> |
| Year ended December 31, 2022 | | | | | |
| Opening net book value | 55,035 | 450 | 2,115 | 1,375 | 58,975 |
| Additions | 1,695 | 475 | 1,380 | 10,070 | 13,620 |
| Depreciation | (1,681) | (166) | (644) | (1,115) | (3,606) |
| Exchange difference | – | – | 97 | – | 97 |
| Closing net book amount | <u>55,049</u> | <u>759</u> | <u>2,948</u> | <u>10,330</u> | <u>69,086</u> |
| At December 31, 2022 | | | | | |
| Cost | 57,139 | 1,113 | 4,128 | 12,545 | 74,925 |
| Accumulated depreciation | (2,090) | (354) | (1,180) | (2,215) | (5,839) |
| Net book amount | <u>55,049</u> | <u>759</u> | <u>2,948</u> | <u>10,330</u> | <u>69,086</u> |

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

| | Year ended December 31, | | | |
|-------------------------------------|--------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Selling and marketing expenses | 35 | 52 | 50 | 104 |
| General and administrative expenses | 59 | 539 | 1,504 | 3,502 |
| | <u>94</u> | <u>591</u> | <u>1,554</u> | <u>3,606</u> |

13 RIGHT-OF-USE ASSETS

Office premises

| | Year ended December 31, | | | |
|--------------------------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Opening net book value | 814 | 2,469 | 2,786 | 3,893 |
| Additions | 2,448 | 2,072 | 3,385 | 1,448 |
| Depreciation charge | (793) | (1,755) | (2,278) | (2,608) |
| Early termination | – | – | – | (855) |
| Closing net book amount | 2,469 | 2,786 | 3,893 | 1,878 |
| At the end of the year | | | | |
| Cost | 3,476 | 5,548 | 8,933 | 10,381 |
| Accumulated depreciation | (1,007) | (2,762) | (5,040) | (7,648) |
| Early termination | – | – | – | (855) |
| Net book amount | 2,469 | 2,786 | 3,893 | 1,878 |

The Group leased office premises in Kunshan, Guangzhou, Shanghai and Beijing under lease term of 2 to 4 years. Depreciation expenses of right-of-use assets were charged to selling and marketing expenses and general and administrative expenses in the consolidated statements of comprehensive income (Note 26).

14 INTANGIBLE ASSETS

Software

| | Year ended December 31, | | | |
|--------------------------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Opening net book value | 11 | 10 | 80 | 625 |
| Additions | – | 83 | 584 | 3,397 |
| Amortisation | (1) | (13) | (39) | (144) |
| Closing net book amount | 10 | 80 | 625 | 3,878 |
| At the end of the year | | | | |
| Cost | 12 | 95 | 679 | 4,076 |
| Accumulated amortisation | (2) | (15) | (54) | (198) |
| Net book amount | 10 | 80 | 625 | 3,878 |

Amortisation expenses of intangible assets were charged to general and administrative expenses in the consolidated statements of comprehensive income.

15 OTHER NON-CURRENT ASSETS

| | As at December 31, | | | |
|---|--------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Prepayments for staff quarter and office premises (a) | – | 53,468 | 50,026 | 50,421 |
| Prepayment for leasehold improvement | – | – | – | 1,044 |
| Prepayment to a related party (Note 36) | – | – | – | 1,376 |
| Prepayment for software development (b) | – | – | – | 4,800 |
| Others | 1,891 | 1,043 | 390 | 1,997 |
| | <u>1,891</u> | <u>54,511</u> | <u>50,416</u> | <u>59,638</u> |

- (a) In October 2020 and February 2021, the Group entered into agreements with Kunshan Jiabao Wangshang Culture Investment Co., Ltd. (昆山嘉寶網尚文化投資有限公司) (“Kunshan Jiabao”), a related party of the Group up to August 16, 2021, for the purchase of staff quarter and office premises at considerations of RMB53,468,000 and RMB50,026,000, respectively. The staff quarter had been delivered to the Group in September 2021 (Note 12) and the office premises are expected to be delivered in mid year of 2023.
- (b) In March 2022, the Group entered into an agreement with a third party vendor for the development of certain mobile phone applications at a consideration of RMB4,800,000 which has been fully paid to this vendor in September 2022.

16 TV PROGRAM RIGHTS

| | TV program rights under production | TV program rights completed | Total |
|--|------------------------------------|-----------------------------|---------------|
| | RMB'000 | RMB'000 | RMB'000 |
| At January 1, 2019 | 42,047 | – | 42,047 |
| Additions | 35,200 | – | 35,200 |
| At December 31, 2019 | <u>77,247</u> | <u>–</u> | <u>77,247</u> |
| At January 1, 2020 | 77,247 | – | 77,247 |
| Additions | 28,777 | – | 28,777 |
| Transfer upon completion | (106,024) | 106,024 | – |
| Recognized in cost of revenue (Note 7) | – | (106,024) | (106,024) |
| At December 31, 2020 | <u>–</u> | <u>–</u> | <u>–</u> |
| At January 1, 2021 | – | – | – |
| Additions | 13,594 | – | 13,594 |
| At December 31, 2021 | <u>13,594</u> | <u>–</u> | <u>13,594</u> |
| At January 1, 2022 | 13,594 | – | 13,594 |
| Additions | 74,750 | – | 74,750 |
| Exchange differences | 1,258 | – | 1,258 |
| At December 31, 2022 | <u>89,602</u> | <u>–</u> | <u>89,602</u> |

As at December 31, 2019, the TV program rights represented *J-Style Trip* (周遊記). The rights were fully recognized in cost of revenue in 2020 when *J-Style Trip* was broadcast. As at December 31, 2021, the rights represented the production cost of *J-Style Trip II* (周遊記2). As at December 31, 2022, the rights mainly represented the production cost of *J-Style Trip II* (周遊記2) and *Yue Lai Yue Kuai Le* (樂來樂快樂).

The Directors assessed the net realisable amount of the TV program rights as at each balance sheet date in order to determine whether any impairment provision is required to be made. The net realisable amount is estimated by reference to the advertising and other related income to be generated from the broadcast of the TV program based on confirmed order and/or letter of intent received by the Group less cost of completion of the TV program. Based on the Directors' best estimate, as at each balance sheet date, the TV program rights are profit generating with income exceeding related production cost, indicating that the net realisable amount should exceed the carrying value of the relevant rights. Accordingly, no provision for impairment has been made.

17 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at December 31, | | | |
|---|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial assets – amortised cost | | | | |
| – Trade and other receivables | 39,617 | 74,181 | 52,538 | 62,066 |
| – Restricted bank deposits | – | 11,008 | – | – |
| – Cash and cash equivalents | 29,298 | 120,962 | 211,873 | 182,633 |
| | <u>68,915</u> | <u>206,151</u> | <u>264,411</u> | <u>244,699</u> |
| Financial liabilities – amortised cost | | | | |
| – Trade and other payables (excluding salaries and staff welfare payable and other taxes payable) | 122,416 | 53,856 | 30,378 | 45,952 |
| – Lease liabilities | 2,497 | 2,982 | 4,316 | 2,092 |
| – Financial instrument with redemption rights | – | – | 163,520 | 178,654 |
| – Borrowings | – | – | 20,000 | 15,000 |
| | <u>124,913</u> | <u>56,838</u> | <u>218,214</u> | <u>241,698</u> |

18 TRADE AND OTHER RECEIVABLES

The Group

| | As at December 31, | | | |
|--|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current assets: | | | | |
| Trade receivables (<i>Note (a)</i>) | | | | |
| – related parties (<i>Note 36</i>) | – | 28,708 | 38 | 38 |
| – third parties | 254 | 918 | 26,439 | 39,166 |
| – third parties (current portion of long-term receivables) | – | 9,023 | – | – |
| | 254 | 38,649 | 26,477 | 39,204 |
| Less: provision for impairment of trade receivables | (2) | (906) | (400) | (1,134) |
| Trade receivables – net | 252 | 37,743 | 26,077 | 38,070 |
| Bill receivables | – | 2,000 | – | 1,000 |
| Other receivables | | | | |
| – Amounts due from related parties (<i>Note 36</i>) | 29,219 | 4,087 | – | 3 |
| – Deposits (<i>Note (c)</i>) | 6,230 | 463 | 895 | 12,443 |
| – Staff advances | 553 | 1,020 | 50 | 200 |
| – Amount due from third parties (<i>Note (b)</i>) | – | 26,758 | 25,702 | – |
| – Other receivables in respect of the celebrity IP management business (<i>Note (d)</i>) | – | – | – | 10,145 |
| – Loan to third parties (<i>Note (e)</i>) | 3,135 | 3,035 | – | – |
| – Others | 314 | 262 | – | 402 |
| | 39,451 | 35,625 | 26,647 | 23,193 |
| Less: provision for impairment of other receivables | (86) | (3,608) | (186) | (197) |
| Other receivables – net | 39,365 | 32,017 | 26,461 | 22,996 |
| | 39,617 | 71,760 | 52,538 | 62,066 |
| Non-current assets: | | | | |
| Trade receivables due from third parties (long-term receivables) | – | 11,470 | – | – |
| Less: current portion of long-term receivables | – | (9,023) | – | – |
| | – | 2,447 | – | – |
| Less: provision for impairment of long-term receivables | – | (26) | – | – |
| | – | 2,421 | – | – |

Notes:

(a) Trade receivables

For the sales of the Group's new retail business products made to distributors through Kunshan Tingshe E-Commerce Company Limited ("Kunshan Tingshe"), the Group receives advances from distributors and no trade receivables were derived during the Track Record Period. Trade receivables mainly arise from the Group's new retail business products directly sold to Wei Peng Trading Limited and other distributors and IP management business. The normal credit period granted to these customers are generally ranging from 5 days to 2 years.

The following is an ageing analysis of trade receivables based on revenue recognition date:

| | As at December 31, | | | |
|----------------|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 30 days | – | 26,115 | 23,909 | 27,802 |
| 31–90 days | – | 210 | 1,127 | 10,161 |
| 91–120 days | 254 | 3,301 | 179 | 768 |
| 121–365 days | – | 11,470 | 1 | 473 |
| Over 365 days | – | – | 1,261 | – |
| | <u>254</u> | <u>41,096</u> | <u>26,477</u> | <u>39,204</u> |

The Group applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9. Movements in the provision for impairment of trade receivables during the Track Record Period are disclosed in Note 3.1(b).

The carrying amounts of trade receivables are denominated in the following currencies:

| | As at December 31, | | | |
|------|---------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| RMB | 254 | 29,626 | 25,216 | 39,204 |
| US\$ | – | 11,470 | 1,261 | – |
| | <u>254</u> | <u>41,096</u> | <u>26,477</u> | <u>39,204</u> |

- (b) The amount due from third parties mainly represents receivables due from Kunshan Tingshe in relation to customers' advanced payments received by Kunshan Tingshe on behalf of the Group. Kunshan Tingshe acts as the distributor of the major new retail business of the Group and receives payments from customers on behalf of the Group. As at December 31, 2019, 2020, 2021 and 2022, the balance due from Kunshan Tingshe amounted to nil, RMB26,758,000, RMB25,702,000 and nil.
- (c) As at December 31, 2022, a deposit amounted to RMB11,200,000 was paid to a service provider in relation to the commencement of production of a music talk show, *Yue Lai Yue Kuai Le* (樂來樂快樂).
- (d) This represents other receivables from a multi-channel networking company and other brand owners for the live broadcasting activities performed by Mr. Liu Keng-hung and W&V Limited, the artiste management company of Mr. Liu Keng-hung, in relation to the celebrity IP management business of the Group. The Group has the obligation to collect payments from the brand owners and the multi-channel networking company on behalf of Mr. Liu Keng-hung and W&V Limited.
- (e) This represents the balance due from a third party collection agent of the Group which was interest-free and had been settled in 2021.
- (f) As at December 31, 2019, 2020, 2021 and 2022, the carrying values of the trade and other receivables approximated to their fair values.

19 PREPAYMENTS AND OTHER CURRENT ASSETS

The Group

| | As at December 31, | | | |
|--|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Prepayments to related parties (Note 36) | 838 | 905 | – | 1,501 |
| Prepayments to suppliers | 15,012 | 28,997 | 47,444 | 40,216 |
| Prepaid listing expenses | – | 445 | 5,079 | 8,260 |
| Value-added tax recoverable | 751 | 931 | 1,154 | 3,093 |
| | 16,601 | 31,278 | 53,677 | 53,070 |

The Company

| | As at December 31, | | |
|--------------------------|--------------------|---------|---------|
| | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 |
| Prepaid listing expenses | 445 | 5,079 | 8,260 |
| Prepayments to suppliers | – | 435 | 5,607 |
| | 445 | 5,514 | 13,867 |

20 CASH AND BANK BALANCES

(a) Cash and cash equivalents

| | As at December 31, | | | |
|---------------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash on hand | – | 3 | 17 | 5 |
| Cash at banks | 29,298 | 120,959 | 211,856 | 182,628 |
| | 29,298 | 120,962 | 211,873 | 182,633 |

(b) Restricted bank deposits

| | As at December 31, | | | |
|--------------------------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Restricted bank deposits | | | | |
| – current | – | 11,008 | – | – |

In June 2020, due to the dispute with an ex-marketing agency, certain bank accounts of the Group were frozen by Guangzhou People's Court. As at December 31, 2020, the balance of the frozen funds was RMB11,008,000 which was subsequently released in January 2021.

In May 2021, Xianning Municipal Administration for Market Regulation and Xianan People's Court (collectively, the "Xianan Authorities") froze the bank accounts of the Group for suspected pyramid selling which is prohibited under the Regulation on the Prohibition of Pyramid Selling (禁止傳銷條例), with total funds amounting to RMB144,838,000, comprising restricted bank deposits of RMB124,838,000 and financial assets at FVPL of RMB20,000,000. In late July 2021, all of the funds frozen by the Xianan Authorities were released.

(c) Cash on hand and at banks (including restricted bank deposits of the Group) are denominated in the following currencies:

| | As at December 31, | | | |
|------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| RMB | 29,292 | 130,823 | 158,496 | 174,614 |
| HK\$ | 6 | 1,144 | 23,296 | 2,858 |
| US\$ | – | 3 | 30,081 | 599 |
| NT\$ | – | – | – | 4,562 |
| | 29,298 | 131,970 | 211,873 | 182,633 |

The carrying amounts of cash on hand and at banks approximated their fair values.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

21 INVENTORIES

| | As at December 31, | | | |
|--------------------------------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Raw and packaging materials | 682 | 3,967 | 6,137 | 5,140 |
| Finished goods | 14,828 | 23,169 | 27,571 | 23,688 |
| | 15,510 | 27,136 | 33,708 | 28,828 |
| Less: provision for impairment | – | (3,029) | (9,218) | – |
| | 15,510 | 24,107 | 24,490 | 28,828 |

- (a) The cost of inventories recognized as cost of goods sold amounted to approximately RMB24,239,000, RMB102,223,000, RMB86,504,000, and RMB76,590,000 for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.
- (b) Provision for impairment was recognized for the amount by which the carrying amount of the inventories exceeds the net realisable value and was recorded in “cost of revenue” in the consolidated statements of comprehensive income. The provision for impairment of inventory recognized in cost of revenue amounted to nil, RMB3,029,000, RMB6,189,000 and RMB6,725,000, for the years ended December 31, 2019, 2020, 2021 and 2022, respectively.

Movement of the provision for impairment of inventories is as follows:

| | Year ended December 31, | | | |
|---|-------------------------|---------|---------|----------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At beginning of the year | – | – | 3,029 | 9,218 |
| Provision for impairment of inventories charged to profit or loss (<i>Note 7</i>) | – | 3,029 | 6,189 | 6,725 |
| Provision written-off | – | – | – | (15,943) |
| At the end of the year | – | 3,029 | 9,218 | – |

22 SHARE CAPITAL

| | Number of ordinary shares | Nominal value of ordinary shares | Share capital | Share premium | Total |
|--|---------------------------------|---|---------------|------------------|----------------|
| | | US\$ | RMB'000 | RMB'000 | RMB'000 |
| Authorised: | | | | | |
| Ordinary shares on January 3, 2020 (date of incorporation) (i) | 50,000 | 50,000 | – | – | – |
| Effect of the share subdivision on July 29, 2020 (i) | 4,999,950,000 | – | – | – | – |
| At December 31, 2020, 2021 and 2022 | 5,000,000,000 | 50,000 | – | – | – |
| Issued: | | | | | |
| At January 3, 2020 (incorporation date of the Company) | 1 | 1 | – | – | – |
| Share subdivision on July 29, 2020 (i) | 99,999 | – | – | – | – |
| Issuance of ordinary shares on August 4, 2020 (ii) | 499,900,000 | 4,999 | 35 | – | 35 |
| Issuance of ordinary shares to Long Precise Limited (iii) | 12,820,512 | 128 | 1 | 32,950 | 32,951 |
| At December 31, 2020 | 512,820,512 | 5,128 | 36 | 32,950 | 32,986 |
| At January 1, 2021 | 512,820,512 | 5,128 | 36 | 32,950 | 32,986 |
| Issuance of ordinary shares to pre-IPO investor (iv) | 30,094,112 | 301 | 2 | 159,841 | 159,843 |
| Dividends (v) | – | – | – | (16,904) | (16,904) |
| At December 31, 2021 | 542,914,624 | 5,429 | 38 | 175,887 | 175,925 |
| At January 1 and December 31, 2022 | 542,914,624 | 5,429 | 38 | 175,887 | 175,925 |

- (i) The Company was incorporated in the Cayman Islands on January 3, 2020 with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. On July 29, 2020, the authorised shares of the Company subdivided from 50,000 shares with a par value of US\$1 each into 5,000,000,000 shares with a par value of US\$0.00001.
- (ii) Upon incorporation, the Company issued one ordinary share at a par value of US\$1 to the initial subscriber. On July 29, 2020, the one subscriber share of US\$1 par value was subdivided into 100,000 shares at a par value of US\$0.00001. On August 4, 2020, the Company allotted and issued an aggregated of 499,900,000 ordinary shares to the investment holding companies, owned by the Controlling Shareholders, Mr. Lai and Mr. Ho (Note 1.2).
- (iii) On September 30, 2020, the Company allotted and issued 12,820,512 ordinary shares to Long Precise, a pre-IPO investor (Note 1.2), at a consideration of HK\$37,500,000.
- (iv) On February 17, 2021, the Company allotted and issued 30,094,112 ordinary shares to Bradbury, a pre-IPO investor (Note 1.2), at a consideration of HK\$200,000,000 with a transaction cost of HK\$7,500,000 (Note 30).
- (v) Pursuant to Section 34 of the Cayman Companies Act (2023 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company. Details of the dividend declared are set out in Note 32.

Investments in subsidiaries of the Company

| | As at December 31, | | |
|-----------------|--------------------|---------|---------|
| | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 |
| Unlisted shares | 25,507 | 29,076 | 23,667 |

Investments in subsidiaries of the Company represent the investments in the Company's directly held subsidiaries which are set out above, measured at their carrying values at the date of the completion of reorganisation.

23 SHARE-BASED PAYMENTS

The share-based compensation expenses recognized are as follows:

| | Year ended December 31, | | | |
|--------------------------|-------------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Share options (Note (a)) | – | 1,840 | 3,568 | 2,216 |

Note:

(a) Share options

In 2020, the Company adopted a 2020 share incentive plan (the "2020 Plan"), which allows selected employees, directors of the Company, and consultants with certain vesting conditions being fulfilled, to acquire ordinary shares of the Company pursuant to options granted. The maximum number of ordinary shares that subject to the awards granted under the 2020 Plan was 25,000,000. On August 3, 2020 and November 16, 2020, the Group granted 24,800,000 and 200,000 share options under the 2020 Plan to certain employees, a director, and certain consultants of the Group. The exercise price of all options granted was HK\$1.9 per share (to be adjusted to HK\$1.43 per share after the capitalization issue). The options granted would vest in equal annual installments over a four-year period or upon an earlier change in control of the Company. The expiration date is 10 years after the grant date.

The following table summarizes information with respect to share options outstanding as of December 31, 2020, 2021 and 2022 and the weighted average exercise prices ("WAEP").

| | December 31, 2020 | | December 31, 2021 | | December 31, 2022 | |
|-----------------------|-------------------|---------|-------------------|---------|-------------------|---------|
| | Number | WAEP | Number | WAEP | Number | WAEP |
| Opening at beginning | – | N/A | 25,000,000 | HK\$1.9 | 25,000,000 | HK\$1.9 |
| Granted | 25,000,000 | HK\$1.9 | – | – | – | – |
| Outstanding at ending | 25,000,000 | HK\$1.9 | 25,000,000 | HK\$1.9 | 25,000,000 | HK\$1.9 |
| Exercisable at ending | – | N/A | – | N/A | – | N/A |

The fair value of incentive interests on the grant dates, being August 3, 2020 and November 16, 2020 were determined by an external independent valuer using Binomial Option Pricing Model. The significant inputs into the model were listed below:

| | Granted on August 3, 2020 | Granted on November 16, 2020 |
|-------------------------|--------------------------------------|---|
| Expected volatility | 42.86% | 42.86% |
| Risk-free interest rate | 0.241% | 0.241% |
| Forfeiture rate | 27% | 27% |
| Dividend yield | 0.00% | 0.00% |
| Exercise price | HK\$1.9 | HK\$1.9 |

24 RESERVES

The Group

| | Share Premium | Capital reserves | Treasury stocks | Statutory reserves | Share-based payment reserves | Currency translation reserves | Total |
|--|------------------|---------------------|--------------------|-----------------------|------------------------------------|-------------------------------------|-----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | (Note (a)) | (Note (b)) | (Note (c)) | (Note 23) | (Note (d)) | |
| Balance at January 1, 2019 | – | (10,000) | – | 1,098 | – | (8) | (8,910) |
| Currency translation differences | – | – | – | – | – | (20) | (20) |
| Appropriation to statutory reserves | – | – | – | 2,733 | – | – | 2,733 |
| Deemed contribution from shareholders (Note (a)(ii)) | – | 4,000 | – | – | – | – | 4,000 |
| Balance at December 31, 2019 | – | (6,000) | – | 3,831 | – | (28) | (2,197) |
| Balance at January 1, 2020 | – | (6,000) | – | 3,831 | – | (28) | (2,197) |
| Issuance of new shares (Note 22(iii)) | 32,950 | – | – | – | – | – | 32,950 |
| Currency translation differences | – | – | – | – | – | (1,110) | (1,110) |
| Share-based payments | – | – | – | – | 1,840 | – | 1,840 |
| Appropriation to statutory reserves | – | – | – | 2,100 | – | – | 2,100 |
| Capital injection from shareholders (Note (a)(iii)) | – | 2,000 | – | – | – | – | 2,000 |
| Deemed distribution to shareholders (Note 1.2(viii)) | – | (2,000) | – | – | – | – | (2,000) |
| Balance at December 31, 2020 | 32,950 | (6,000) | – | 5,931 | 1,840 | (1,138) | 33,583 |
| Balance at January 1, 2021 | 32,950 | (6,000) | – | 5,931 | 1,840 | (1,138) | 33,583 |
| Issuance of new shares (Note 22(iv)) | 159,841 | – | – | – | – | – | 159,841 |
| Recognition of redemption liability (Note 30) | – | – | (158,180) | – | – | – | (158,180) |
| Currency translation differences | – | – | – | – | – | (1,064) | (1,064) |
| Share-based payments | – | – | – | – | 3,568 | – | 3,568 |
| Dividends declared and payable by the Company (Note 32) | (16,904) | – | – | – | – | – | (16,904) |
| Appropriation to statutory reserves | – | – | – | 4,126 | – | – | 4,126 |
| Balance at December 31, 2021 | 175,887 | (6,000) | (158,180) | 10,057 | 5,408 | (2,202) | 24,970 |
| Balance at January 1, 2022 | 175,887 | (6,000) | (158,180) | 10,057 | 5,408 | (2,202) | 24,970 |
| Currency translation differences | – | – | – | – | – | 1,716 | 1,716 |
| Share-based payments | – | – | – | – | 2,216 | – | 2,216 |
| Appropriation to statutory reserves | – | – | – | 4,441 | – | – | 4,441 |
| Balance at December 31, 2022 | 175,887 | (6,000) | (158,180) | 14,498 | 7,624 | (486) | 33,343 |

The Company

| | Share Premium | Capital reserves | Treasury stock | Share-based payment reserves | Currency translation reserves | Total |
|---|------------------------------------|---------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------|
| | <i>RMB'000</i> <i>(Note 22)</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(Note (b))</i> | <i>RMB'000</i> <i>(Note 23)</i> | <i>RMB'000</i> <i>(Note (d))</i> | <i>RMB'000</i> |
| Balance at January 3, 2020 (Date of incorporation) | - | - | - | - | - | - |
| Issuance of new shares <i>(Note 22(iii))</i> | 32,950 | - | - | - | - | 32,950 |
| Share-based payments | - | - | - | 1,840 | - | 1,840 |
| Currency translation differences | - | - | - | - | (1,344) | (1,344) |
| Completion of reorganisation <i>(Note (e))</i> | - | 23,667 | - | - | - | 23,667 |
| Balance at December 31, 2020 | <u>32,950</u> | <u>23,667</u> | <u>-</u> | <u>1,840</u> | <u>(1,344)</u> | <u>57,113</u> |
| Balance at January 1, 2021 | 32,950 | 23,667 | - | 1,840 | (1,344) | 57,113 |
| Issuance of new shares <i>(Note 22(iv))</i> | 159,841 | - | - | - | - | 159,841 |
| Share-based payments | - | - | - | 3,568 | - | 3,568 |
| Recognition of redemption liability <i>(Note 30)</i> | - | - | (158,180) | - | - | (158,180) |
| Dividends declared and payable by the Company <i>(Note 32)</i> | (16,904) | - | - | - | - | (16,904) |
| Currency translation differences | - | - | - | - | (617) | (617) |
| Balance at December 31, 2021 | <u>175,887</u> | <u>23,667</u> | <u>(158,180)</u> | <u>5,408</u> | <u>(1,961)</u> | <u>44,821</u> |
| Balance at January 1, 2022 | 175,887 | 23,667 | (158,180) | 5,408 | (1,961) | 44,821 |
| Share-based payments | - | - | - | 2,216 | - | 2,216 |
| Currency translation differences | - | - | - | - | 992 | 992 |
| Balance at December 31, 2022 | <u>175,887</u> | <u>23,667</u> | <u>(158,180)</u> | <u>7,624</u> | <u>(969)</u> | <u>48,029</u> |

Notes:

(a) Capital reserve

- i. On September 30, 2018, in preparation of the Reorganisation (Note 1.2), Star Plus (Kunshan), now a subsidiary of the Group, acquired 100% of the equity shares of Kunshan Star Plus Action from Jushi Creative (Kunshan) Asset Management Company Limited ("Jushi Creative") at a consideration of RMB10,000,000, which was regarded as deemed distribution to owners and recorded in reserves.
- ii. Jushi Creative was a subsidiary of Star Plus (Kunshan) and not related to the Listing Business. It was transferred out of the Group to the shareholders at a consideration of RMB4,000,000 on August 31, 2019, which was regarded as a deemed contribution from owners and recorded in reserves.
- iii. In July 2020, Star Plus (Kunshan) received capital injection from shareholders, amounting to RMB2,000,000.

- (b) Treasury stocks of the Group are related to the 30,094,112 ordinary shares issued to Bradbury with redemption rights. The details of redemption liability related to the redemption rights are disclosed in Note 30. They do not represent shares that have been purchased and to be cancelled by the Company.
- (c) In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the subsidiaries in the PRC shall appropriate 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory reserve fund (except where the reserve balance has reached 50% of the paid-in capital). The subsidiaries in the PRC can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital and some of them have reached such ceilings.
- Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.
- (d) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Group.
- (e) As part of the Reorganisation, the Company acquired interests in subsidiaries from the shareholders. The difference between the consideration paid and the net book value of all the subsidiaries were recorded by the Company as investments in subsidiaries as capital reserves.

25 RETAINED EARNINGS

The Group

| | Year ended December 31, | | | |
|-------------------------------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | 7,900 | 28,726 | 104,690 | 144,213 |
| Profit for the year | 23,559 | 78,064 | 43,649 | 60,389 |
| Appropriation to statutory reserves | (2,733) | (2,100) | (4,126) | (4,441) |
| At the end of the year | <u>28,726</u> | <u>104,690</u> | <u>144,213</u> | <u>200,161</u> |

The Company

| | Year ended December 31, | | |
|-------------------------------------|-------------------------|-----------------|-----------------|
| | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year | – | (3,441) | (13,497) |
| Loss for the year | (3,441) | (10,056) | (25,640) |
| At the end of the year | <u>(3,441)</u> | <u>(13,497)</u> | <u>(39,137)</u> |

26 LEASE LIABILITIES

| | As at December 31, | | | |
|--------------------------|--------------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Lease liabilities | | | | |
| – Current | 1,013 | 1,573 | 3,281 | 1,872 |
| – Non-current | 1,484 | 1,409 | 1,035 | 220 |
| | <u>2,497</u> | <u>2,982</u> | <u>4,316</u> | <u>2,092</u> |

The Group leases office premises for its operations and lease liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid. The respective right-of-use assets were recognized and disclosed in Note 13 above.

The amounts of expenses recognized in the consolidated statement of comprehensive income in respect of leases are set out below:

| | Year ended December 31, | | | |
|--|-------------------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Depreciation charge of right-of-use assets (Note 13) | | | | |
| – Selling and marketing expenses | 357 | 800 | 1,157 | 1,597 |
| – General and administrative expenses | 436 | 955 | 1,121 | 1,011 |
| | <u>793</u> | <u>1,755</u> | <u>2,278</u> | <u>2,608</u> |
| Interest expense (included in finance costs) (Note 9) | <u>222</u> | <u>444</u> | <u>224</u> | <u>305</u> |
| Short-term lease expenditure for office premises, dormitories and equipment (Note 7) | <u>304</u> | <u>423</u> | <u>655</u> | <u>1,011</u> |
| Cash outflow for lease payments | 996 | 2,031 | 2,275 | 3,122 |
| Cash outflow for short-term lease | 282 | 567 | 981 | 1,011 |
| | <u>1,278</u> | <u>2,598</u> | <u>3,256</u> | <u>4,133</u> |

27 TRADE AND OTHER PAYABLES

| | As at December 31, | | | |
|---|--------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables (<i>Note (a)</i>) | | | | |
| – related parties (<i>Note 36</i>) | 499 | 5,425 | 5,428 | 1,128 |
| – third parties | 8,130 | 5,241 | 16,072 | 8,556 |
| | <u>8,629</u> | <u>10,666</u> | <u>21,500</u> | <u>9,684</u> |
| Other payables | | | | |
| – Amounts due to related parties (<i>Note 36</i>) | 72,788 | 11,307 | – | 15,946 |
| – Amounts due to third parties (<i>Note (d)</i>) | – | – | – | 10,176 |
| – Funding received for <i>J-Style Trip TV</i> Program (<i>Note 6</i>) | 21,400 | – | – | – |
| – Salaries and staff welfare payable | 1,592 | 5,727 | 6,054 | 6,083 |
| – Other taxes payables | 6,967 | 19,731 | 9,144 | 16,975 |
| – Accrued listing expenses | – | 1,780 | 781 | 3,580 |
| – Accrued expenses | 714 | 1,065 | 1,193 | 1,200 |
| – Deposits from customers | 11,553 | 5,829 | 6,815 | 4,328 |
| – Sales commission payables | 3,290 | 20,635 | – | – |
| – Refund liability | 2,742 | – | – | – |
| – Others | 1,300 | 2,574 | 89 | 1,038 |
| | <u>122,346</u> | <u>68,648</u> | <u>24,076</u> | <u>59,326</u> |
| | <u>130,975</u> | <u>79,314</u> | <u>45,576</u> | <u>69,010</u> |

Notes:

- (a) Ageing analysis of the trade payables based on invoice date at the end of each reporting dates is as follows:

| | As at December 31, | | | |
|---------------|--------------------|---------------|---------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 0–60 days | 7,710 | 2,510 | 19,927 | 8,190 |
| 60–120 days | 107 | 6,947 | 753 | 43 |
| 121–365 days | 186 | 372 | 753 | 66 |
| Over 365 days | 626 | 837 | 67 | 1,385 |
| | <u>8,629</u> | <u>10,666</u> | <u>21,500</u> | <u>9,684</u> |

- (b) The carrying amounts of the Group's trade and other payables were denominated in the following currencies:

| | As at December 31, | | | |
|------|--------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| RMB | 94,246 | 76,280 | 41,441 | 48,059 |
| HK\$ | 36,729 | 3,034 | 4,135 | 20,951 |
| | <u>130,975</u> | <u>79,314</u> | <u>45,576</u> | <u>69,010</u> |

- (c) As at December 31, 2019, 2020, 2021 and 2022, the carrying amounts of the trade and other payables of the Group approximated their fair values.
- (d) This represents the other payables due to Mr. Liu Keng-hung, and a multi-channel networking company in relation to the live broadcasting activities performed by Mr. Liu Keng-hung to brand owners under the Group's celebrity IP management business.

The Company

| | As at December 31, | | |
|------------------------------------|--------------------|--------------|--------------|
| | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 |
| Accrued listing expenses | 1,780 | 781 | 3,580 |
| Accrued other expenses | 382 | 775 | 440 |
| Salaries and staff welfare payable | – | 1,272 | 1,213 |
| | <u>2,162</u> | <u>2,828</u> | <u>5,233</u> |

28 CONTRACT LIABILITIES

The Group has recognized the following revenue-related contract liabilities:

| | As at December 31, | | | |
|--|--------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Current liabilities | | | | |
| Sales of goods | 11,559 | 63,056 | 54,863 | 24,414 |
| Provision of IP creation and operation service | <u>1,291</u> | <u>1,477</u> | <u>4,445</u> | <u>6,971</u> |
| | 12,850 | 64,533 | 59,308 | 31,385 |
| Non-current liabilities | | | | |
| Provision of IP creation and operation service | <u>686</u> | <u>–</u> | <u>45</u> | <u>38</u> |
| | <u>13,536</u> | <u>64,533</u> | <u>59,353</u> | <u>31,423</u> |

(a) Significant changes in contract liabilities

Contract liabilities of the Group refer to the payments made by customers while the underlying goods or services are yet to be provided. The increase in the contract liabilities is resulted from the increase in sales orders.

(b) Revenue recognized in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period relates to carried-forward contract liabilities.

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue recognized that was included in the contract liabilities balance at the beginning of the year | | | | |
| – Sale of goods | 10,320 | 11,559 | 63,056 | 54,863 |
| – Provision of IP creation and operation service | 201 | 1,291 | 1,477 | 4,490 |
| | <u>10,521</u> | <u>12,850</u> | <u>64,533</u> | <u>59,353</u> |

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from long-term licensing contracts:

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Aggregate amount of the transaction price allocated to long-term licensing contracts that are partially unsatisfied | <u>1,840</u> | <u>1,323</u> | <u>903</u> | <u>5,023</u> |

The Group selected to choose a practical expedient and omitted disclosure of remaining performance obligations as all other related contracts have a duration of one year or less.

(d) Assets recognized from incremental costs to obtain a contract

During the Track Record Period, there was no significant incremental costs to obtain a contract.

29 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities is as follows:

| | As at December 31, | | | |
|---|--------------------|--------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Deferred income tax assets: | | | | |
| – to be recovered within 12 months | 3,772 | 4,199 | 3,494 | 4,137 |
| – to be recovered after 12 months | 34 | 130 | 306 | 457 |
| | 3,806 | 4,329 | 3,800 | 4,594 |
| Net off with deferred tax liabilities | (156) | (364) | (769) | (408) |
| | <u>3,650</u> | <u>3,965</u> | <u>3,031</u> | <u>4,186</u> |
| Deferred income tax liabilities: | | | | |
| – to be recovered within 12 months | 123 | 2,483 | 542 | 377 |
| – to be recovered after 12 months | 33 | 81 | 227 | 31 |
| | 156 | 2,564 | 769 | 408 |
| Net off with deferred income tax assets | (156) | (364) | (769) | (408) |
| | <u>–</u> | <u>2,200</u> | <u>–</u> | <u>–</u> |

The movement in deferred income tax assets during the year is as follows:

| | Provision for impairment | Unused tax losses | Lease liabilities | Accrued expense and others | Total |
|---|---|------------------------------|------------------------------|---|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at January 1, 2019 | 40 | 117 | 206 | – | 363 |
| Credited/(charged) to the consolidated statements of comprehensive income | (18) | 803 | (47) | 2,705 | 3,443 |
| As at December 31, 2019 | 22 | 920 | 159 | 2,705 | 3,806 |
| As at January 1, 2020 | 22 | 920 | 159 | 2,705 | 3,806 |
| Credited/(charged) to the consolidated statements of comprehensive income | 1,706 | 1,272 | 250 | 4,631 | 7,859 |
| Disposal of subsidiaries (<i>Note 35</i>) | – | – | – | (7,336) | (7,336) |
| As at December 31, 2020 | 1,728 | 2,192 | 409 | – | 4,329 |
| As at January 1, 2021 | 1,728 | 2,192 | 409 | – | 4,329 |
| Credited/(charged) to the consolidated statements of comprehensive income | 708 | (1,718) | 481 | – | (529) |
| As at December 31, 2021 | 2,436 | 474 | 890 | – | 3,800 |
| As at January 1, 2022 | 2,436 | 474 | 890 | – | 3,800 |
| Credited/(charged) to the consolidated statements of comprehensive income | 1,221 | 3 | (430) | – | 794 |
| As at December 31, 2022 | 3,657 | 477 | 460 | – | 4,594 |

Deferred income tax assets were recognized for tax losses carry-forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. For the years ended December 31, 2019, 2020, 2021 and 2022, the Group did not recognize deferred income tax assets on tax losses, amounting to RMB4,293,000, RMB11,272,000, RMB44,342,000 and RMB49,297,000, respectively, due to the unpredictability of future assessable profit amount, that can be utilised against the tax losses.

The expiry year of the deductible tax losses that are not recognized for deferred income tax assets is analysed below:

| | As at December 31, | | | |
|------------|--------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 2023 | 635 | 635 | 635 | 635 |
| 2024 | 1,522 | 1,522 | 1,522 | 1,522 |
| 2025 | – | 4,599 | 4,599 | 4,599 |
| 2026 | – | – | 2,853 | 2,853 |
| Indefinite | 2,136 | 4,516 | 34,733 | 39,688 |
| | 4,293 | 11,272 | 44,342 | 49,297 |

The movement in deferred income tax liabilities during the year is as follows:

| | Right-of-use assets | Withholding income tax on undistributed profits | Total |
|---|------------------------|--|---------|
| | RMB'000 | RMB'000 | RMB'000 |
| As at January 1, 2019 | 203 | – | 203 |
| Charged to the consolidated statements of comprehensive income | (47) | – | (47) |
| As at December 31, 2019 | 156 | – | 156 |
| As at January 1, 2020 | 156 | – | 156 |
| Debited to the consolidated statements of comprehensive income | 208 | 2,200 | 2,408 |
| As at December 31, 2020 | 364 | 2,200 | 2,564 |
| As at January 1, 2021 | 364 | 2,200 | 2,564 |
| Debited/(charged) to the consolidated statements of comprehensive income | 405 | (2,200) | (1,795) |
| As at December 31, 2021 | 769 | – | 769 |
| As at January 1, 2022 | 769 | – | 769 |
| Charged to the consolidated statements of comprehensive income | (361) | – | (361) |
| As at December 31, 2022 | 408 | – | 408 |

As at December 31, 2019, 2020, 2021 and 2022, the Group has unrecognized deferred income tax liabilities of RMB3,463,000, RMB11,085,000, RMB14,096,000 and RMB15,624,000 in respect of the withholding income tax on the unremitted earnings of the Group's subsidiaries in the PRC amounted to RMB34,625,000, RMB110,848,000, RMB140,961,000 and RMB156,238,000, respectively. No provision has been made in respect of such withholding tax as the directors have confirmed that such profits will be permanently reinvested in mainland China and have no intention to remit such earnings.

30 FINANCIAL INSTRUMENT WITH REDEMPTION RIGHTS

| | Total |
|--|----------------|
| | <i>RMB'000</i> |
| As at January 1, 2019, 2020 and 2021 | – |
| Recognition of financial instrument with redemption rights | 158,180 |
| Finance costs charged to consolidated statements of profit or loss (<i>Note 9</i>) | 7,939 |
| Exchange differences | (2,599) |
| | <hr/> |
| As at December 31, 2021 | 163,520 |
| | <hr/> <hr/> |
| As at January 1, 2022 | 163,520 |
| Exchange differences | 15,134 |
| | <hr/> |
| As at December 31, 2022 | 178,654 |
| | <hr/> <hr/> |

Under a pre-IPO investment agreement entered into between the Company and Bradbury (Notes 1.2 and 22), the Company shall repurchase all the shares from Bradbury if the shares of the Company failed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited on or before December 31, 2021. Bradbury would have the right to exercise such redemption right at an aggregate consideration of HK\$200,000,000, being the amount of pre-IPO investment. In accordance with the investment agreement, the redemption right would be suspended immediately prior to the Company's submission of the listing application and would be restored automatically upon the earlier of the withdrawal of the Company's listing application, the Company's listing application being rejected, or the Company's listing process being terminated or listing application being lapsed for any reason. As the repurchase option given to Bradbury is an unavoidable obligation of the Group, the investment from Bradbury was regarded as financial instrument with redemption rights instead of an equity. The amount of the financial liability was determined based on the discounted value of the consideration of HK\$200,000,000. The discount rate applied was 5.7% per annum which is the Group's cost of borrowings and the interest rate of the financial liability. According to the agreement, the financial liability has become payable on demand since January 1, 2022. No interest expenses has been accounted for since December 31, 2021 as the book value of the financial instrument has reached HK\$200,000,000 (equivalent to RMB178,654,000 as at December 31, 2022) since then, which represented the entire amount to be repaid to Bradbury.

31 BORROWINGS

| | As at December 31, | | | |
|---|--------------------|----------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current | | | | |
| Non-current portion of a long-term bank borrowings, secured | – | – | 15,000 | 10,000 |
| Current | | | | |
| Current portion of a long-term bank borrowings, secured | – | – | 5,000 | 5,000 |
| Total borrowings | – | – | 20,000 | 15,000 |

- (a) In January 2021, the Group entered into a 5-year mortgage loan with Bank of Shanghai Co., Ltd, Suzhou branch for the purchase of office premises under development by Kunshan Jiabao (Note 15). The mortgage loan bears a fixed interest rate at 5.70% per annum and should be repaid on monthly installments.
- (b) The amounts of repayment installments of the borrowings are as follows:

| | As at December 31, | | | |
|-------------------|--------------------|----------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | – | – | 5,000 | 5,000 |
| 1 year to 2 years | – | – | 5,000 | 5,000 |
| 2 year to 3 years | – | – | 5,000 | 5,000 |
| 3 year to 4 years | – | – | 5,000 | – |
| | – | – | 20,000 | 15,000 |

32 DIVIDEND

Pursuant to a resolution passed in the shareholders' meeting of the Company on March 31, 2021, dividends of HK\$20,000,000 were declared to the Company's shareholders, which were fully paid on September 28, 2021.

Pursuant to a resolution passed in the shareholders' meeting of the Company on June 13, 2023, a special dividend of HK\$60,000,000 was declared to the shareholders of the Company which is expected to be paid before the Listing.

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

| | For the year ended December 31, | | | |
|---|---------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit before income tax | 31,840 | 113,841 | 64,652 | 93,138 |
| Adjustments for: | | | | |
| – Finance income (Note 9) | (62) | (479) | (1,306) | (2,443) |
| – Fair value changes in financial assets at FVPL (Note 6) | – | – | (435) | – |
| – Settlement of <i>J-Style Trip's</i> investment (Note 6) | – | (9,400) | – | – |
| – Finance costs (Note 9) | 222 | 444 | 10,248 | 1,340 |
| – Depreciation of property, plant and equipment (Note 12) | 94 | 591 | 1,554 | 3,606 |
| – Depreciation of right-of-use assets (Note 13) | 793 | 1,755 | 2,278 | 2,608 |
| – Amortisation of intangible assets (Note 14) | 1 | 13 | 39 | 144 |
| – Net impairment losses on inventories (Note 21) | – | 3,029 | 6,189 | 6,725 |
| – Net impairment losses on financial assets (Note 3.1(b)) | (73) | 4,452 | (922) | 745 |
| – Share-based payments (Note 23) | – | 1,840 | 3,568 | 2,216 |
| – Gains on disposal of subsidiaries (Note 6) | – | (829) | – | – |
| – Losses on deregistration of a subsidiary (Note 6) | – | – | 54 | – |
| – Exchange loss/(gain) – net | – | 37 | (2,660) | 13,706 |
| Operating cash flows before changes in working capital | 32,815 | 115,294 | 83,259 | 121,785 |
| Changes in working capital: | | | | |
| – Inventories | (9,045) | (10,959) | (5,919) | (11,063) |
| – TV program rights | (35,200) | 77,247 | (13,594) | (76,008) |
| – Trade and other receivables | 5,189 | 31,323 | 22,533 | (11,119) |
| – Prepayments and other current assets | (4,282) | (16,116) | (17,764) | 3,926 |
| – Trade and other payables | 10,327 | 90,793 | (23,918) | 23,434 |
| – Contract liabilities | 3,015 | 51,400 | (5,180) | (27,930) |
| Cash generated from operations | <u>2,819</u> | <u>338,982</u> | <u>39,417</u> | <u>23,025</u> |

(b) Non-cash financing activities

| | Year ended December 31, | | | |
|--|-------------------------|----------|---------|---------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Recognition of the financial instrument with redemption rights (Note 30) | – | – | 158,180 | – |
| Net off of a loan with issuance of shares (i) | – | (32,951) | – | – |
| Settlement of J-Style Trip's investment (Note 6) | – | (9,400) | – | – |
| | – | (42,351) | 158,180 | – |

- (i) On September 30, 2020, the Company allotted and issued 12,820,512 ordinary shares to Long Precise, a pre-IPO investor (Note 1.2 and Note 22), at a consideration of HK\$37,500,000 (the "Consideration"). On the same day, the Company entered into a loan assignment agreement with Great Essence and Long Precise, pursuant to which Long Precise transferred its loan receivable from Great Essence of HK\$37,500,000 (the "Loan") to the Company and the Loan was used to offset with the Consideration.

(c) Reconciliation of liabilities generated from financing activities

| | Financial instrument with redemption rights | | Lease liabilities | Amounts due to related parties | Amounts due to third parties | Investments received for J-Style Trip | Total |
|--------------------------------|---|---------|-------------------|--------------------------------|------------------------------|---------------------------------------|----------|
| | Borrowings | | | | | | |
| | RMB'000 | RMB'000 | | | | | |
| Net debt as at January 1, 2019 | – | – | 823 | 48,039 | – | 6,400 | 55,262 |
| Cash flows | – | – | (996) | 14,438 | – | 15,000 | 28,442 |
| Additions of leases | – | – | 2,448 | – | – | – | 2,448 |
| Interest accrual | – | – | 222 | – | – | – | 222 |
| Exchange differences | – | – | – | 26 | – | – | 26 |
| As of December 31, 2019 | – | – | 2,497 | 62,503 | – | 21,400 | 86,400 |
| Net debt as at January 1, 2020 | – | – | 2,497 | 62,503 | – | 21,400 | 86,400 |
| Cash flows | – | – | (2,031) | (18,999) | – | (12,000) | (33,030) |
| Non-cash changes | – | – | – | (32,951) | – | (9,400) | (42,351) |
| Additions of leases | – | – | 2,072 | – | – | – | 2,072 |
| Interest accrual | – | – | 444 | – | – | – | 444 |
| Exchange differences | – | – | – | 1 | – | – | 1 |
| As of December 31, 2020 | – | – | 2,982 | 10,554 | – | – | 13,536 |
| Net debt as at January 1, 2021 | – | – | 2,982 | 10,554 | – | – | 13,536 |
| Cash flows | 18,755 | – | (2,275) | (10,554) | (840) | – | 5,086 |
| Non-cash changes | – | 158,180 | – | – | – | – | 158,180 |
| Additions of leases | – | – | 3,385 | – | – | – | 3,385 |
| Interest accrual | 1,245 | 7,939 | 224 | – | 840 | – | 10,248 |
| Exchange differences | – | (2,599) | – | – | – | – | (2,599) |
| As of December 31, 2021 | 20,000 | 163,520 | 4,316 | – | – | – | 187,836 |
| Net debt as at January 1, 2022 | 20,000 | 163,520 | 4,316 | – | – | – | 187,836 |
| Cash flows | (6,035) | – | (3,122) | – | – | – | (9,157) |
| Additions of leases | – | – | 593 | – | – | – | 593 |
| Interest accrual | 1,035 | – | 305 | – | – | – | 1,340 |
| Exchange differences | – | 15,134 | – | – | – | – | 15,134 |
| As of December 31, 2022 | 15,000 | 178,654 | 2,092 | – | – | – | 195,746 |

34 CONTINGENCIES

As of December 31, 2019, 2020, 2021 and 2022, the Group did not have any significant contingent liabilities.

35 DISPOSAL OF SUBSIDIARIES

On May 31, 2020, the Group disposed of its entire interests in Kunshan Tingshe, a then 80%-owned subsidiary, at the consideration of RMB800.

On September 30, 2020, the Group disposed of its 100% interests in Kunshan Sidapu Commercial Management Company Limited for zero consideration and disposed of its 100% interests in Shanghai Sidapu Commercial Management Company Limited at the consideration of RMB1.

On October 31, 2020, the Group disposed of its 100% interests in Kunshan Xingmeng Chinese Medicine Clinic Company Limited and Kunshan Moji Skin Management Company Limited, at the consideration of RMB1 each.

Details of the aforementioned disposals (in aggregate) are as follows:

| | As at the respective dates of the disposals |
|---|--|
| | <i>RMB'000</i> |
| Consideration | 1 |
| Assets disposed of | |
| Deferred income tax assets | 7,336 |
| Trade and other receivables | 44,844 |
| Prepayments and other current assets | 1,769 |
| Cash and cash equivalents | 151,172 |
| | <u>205,121</u> |
| Liabilities disposed of | |
| Trade and other payables | (200,197) |
| Contract liabilities | (404) |
| Current income tax liabilities | (5,394) |
| | <u>(205,995)</u> |
| Non-controlling interests | 46 |
| Net liabilities disposed | <u>(828)</u> |
| Disposal gains | 829 |
| Cash consideration received | 1 |
| Less: cash and cash equivalents disposed | <u>(151,172)</u> |
| Net cash outflow arising from disposal of subsidiaries | <u><u>(151,171)</u></u> |

36 RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships with related parties

Below is the summary of the Group's related parties during the Track Record Period:

| Name of the related party | Relationship with the Group |
|--|--|
| Ms. Ma | Shareholder and director of the Company |
| Mr. Lai | Shareholder and director of the Company |
| Mr. Yang | Shareholder and director of the Company |
| Mr. Chen | Shareholder and director of the Company |
| Mr. Chan, Yu-Hao | Shareholder |
| Ms. Yeh | Shareholder |
| Ms. Li, Ting | The non-controlling shareholder of Kunshan Tingshe from June 18, 2019 to May 31, 2020 |
| Ms. Zhang, Jing | Shareholder and the spouse of Dr. Qian, Sam Zhongshan |
| Lhasa Economic and Technology Development Zone Juchuang Investment Company Limited ("Lhasa Juchuang") | Shareholder (ex-shareholder up to September 30, 2019) |
| JVR Music International Ltd. | An entity controlled by Mr. Yang |
| Max One Ltd | An entity controlled by Mr. Chen |
| Archstone Co., Ltd | An entity controlled by Mr. Chen |
| Lu Yu Music Co., Ltd (陸宇音樂有限公司) ("Lu Yu Music") | An entity controlled by Mr. Chan, Yu-Hao |
| Kunshan Jiabao | An entity significantly influenced by Ms. Ma up to August 16, 2021 |
| Great Essence Holdings Limited | An entity controlled by Mr. Lai |
| Jesports (Beijing) Cultural Development Company Limited (魔杰電競(北京)文化發展有限公司) ("Jesports Beijing") | An entity controlled by Mr. Yang, Mr. Chen and Ms. Yeh |
| Jtea (Kunshan) Dining Company Limited (魔杰的茶(昆山)餐飲服務有限公司) ("Jtea Kunshan") | An entity controlled by Mr. Yang, Mr. Chen and Ms. Yeh |
| Beijing Master Cultural Development Company Limited (北京精湛文創文化經紀有限公司) ("Beijing Master") | The non-controlling shareholder of Beijing Star Plus Master Cultural Communication Company Limited |
| Yige Corporation Management Consulting (Shanghai) Company Limited (倚格企業管理諮詢(上海)有限公司) ("Shanghai Yige") | An entity controlled by Mr. Yang, Mr. Chen and Ms. Yeh |
| Kunshan Renben Cultural Consulting Agency Company Limited (昆山人本文創諮詢顧問有限公司) ("Kunshan Renben") | An entity controlled by Ms. Ma |
| Jushi Creative (Kunshan) Asset Management Company Limited (巨室星創(昆山)資產管理有限公司) ("Jushi Creative") | An entity significantly influenced by Ms. Ma |
| W&V Limited | The non-controlling shareholder of Talent Planet (HK) Limited |

(b) Transactions with related parties

During the Track Record Period, the following is a summary of the significant transactions carried out between the Group and its related parties.

| | Year ended December 31, | | | |
|------------------------------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Continuing transactions | | | | |
| (i) Purchase of goods from: | | | | |
| Lu Yu Music | 1,803 | – | – | – |
| (ii) Services received from: | | | | |
| Archstone Co., Ltd. | 6,985 | 7,374 | 18,231 | 7,093 |
| JVR Music International Ltd. | – | – | 4,917 | 2,216 |
| Max One Ltd | 1,067 | 1,045 | 771 | – |
| Kunshan Jiabao | – | – | 354 | – |
| Jesports Beijing | – | – | 326 | – |
| Jtea Kunshan | – | 125 | 27 | 25 |
| W&V Limited | – | – | – | 1,437 |
| | <u>8,052</u> | <u>8,544</u> | <u>24,626</u> | <u>10,771</u> |
| (iii) Licensing fee paid to: | | | | |
| Archstone Co., Ltd. | – | 226 | 52 | – |
| (iv) Agent services received from: | | | | |
| Beijing Master | – | 558 | – | – |
| (v) Sales of goods to: | | | | |
| Jesports Beijing | – | 1,656 | 2,510 | 73 |
| Jtea Kunshan | – | 902 | 1,643 | 23 |
| Ms. Zhang, Jing | – | 39 | 32 | 128 |
| Ms. Ma | 8 | 37 | – | – |
| | <u>8</u> | <u>2,634</u> | <u>4,185</u> | <u>224</u> |
| (vi) Service provided to: | | | | |
| Jesports Beijing | – | 266 | 382 | – |

| | Year ended December 31, | | | |
|---|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Continuing transactions | | | | |
| (vii) Loans from related parties: | | | | |
| Kunshan Renben | 23,060 | 600 | – | – |
| Great Essence Holdings Limited | 11,558 | – | – | – |
| Jushi Creative | – | – | – | – |
| Max One Ltd | – | – | 916 | – |
| | <u>34,618</u> | <u>600</u> | <u>916</u> | <u>–</u> |
| (viii) Loans to related parties: | | | | |
| Jesports Beijing | 2,000 | – | – | – |
| Jushi Creative | 9,040 | – | – | – |
| | <u>11,040</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| (ix) Amounts received on behalf of a related party | | | | |
| W&V Limited | – | – | – | 15,946 |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>15,946</u> |

According to terms in contracts, the above loans from related parties and loans to related parties are interest-free, payable on demand and with no collaterals.

| | Year ended December 31, | | | |
|----------------------------------|-------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Discontinued transactions | | | | |
| (i) Services received from: | | | | |
| Ms. Li, Ting | 3,290 | N/A | N/A | N/A |
| Kunshan Jiabao | – | N/A | N/A | N/A |
| | <u>3,290</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| (ii) Sales of goods to: | | | | |
| Ms. Li, Ting | – | 95 | N/A | N/A |
| | <u>–</u> | <u>95</u> | <u>N/A</u> | <u>N/A</u> |

Discontinued transactions represented the transaction amounts up to the date upon which such counter parties ceased to be the Group's related parties.

(c) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and respective department heads. The compensation paid or payable to key management for employee services is shown below:

| | For the year ended December 31, | | | |
|--------------------------------------|---------------------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, bonuses and other benefits | 1,039 | 2,704 | 8,560 | 7,882 |

(d) Balance with related parties*Trade in nature:*

| | As at December 31, | | | |
|-------------------------------------|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| (i) Trade receivables | | | | |
| Jesports Beijing | – | 282 | 38 | 15 |
| Beijing Master | – | 27,407 | – | – |
| Jtea Kunshan | – | 1,019 | – | 23 |
| | – | 28,708 | 38 | 38 |
| (ii) Amounts due to related parties | | | | |
| W&V Limited | – | – | – | 15,946 |
| (iii) Prepayments | | | | |
| Max One Ltd | 838 | 905 | – | – |
| W&V Limited | – | – | – | 2,877 |
| | 838 | 905 | – | 2,877 |
| (iv) Trade payables | | | | |
| Archstone Co., Ltd. | – | 4,881 | 1,030 | 140 |
| Lu Yu Music | 499 | – | – | – |
| JVR Music International Ltd. | – | 494 | 4,190 | 984 |
| Jtea Kunshan | – | 50 | 92 | 4 |
| W&V Limited | – | – | 116 | – |
| | 499 | 5,425 | 5,428 | 1,128 |
| (v) Contract liabilities | | | | |
| Jesports Beijing | – | 1,447 | – | – |
| Jtea Kunshan | – | – | 1 | – |
| | – | 1,447 | 1 | – |

The above balances with related parties are trade in nature and interest-free with no collaterals and no fixed settlement date.

Non-trade in nature:

| | As at December 31, | | | |
|---|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| (i) Amounts due from related parties | | | | |
| W&V Limited | – | – | – | 3 |
| Max One Ltd | – | 3 | – | – |
| Mr. Lai, Kwok Fai | 4,670 | 3,907 | – | – |
| Kunshan Jiabao | 10,000 | – | N/A | N/A |
| Jushi Creative | 8,468 | 177 | – | – |
| Lhasa Juchuang | 1,080 | – | – | – |
| Kunshan Renben | 1,080 | – | – | – |
| Shanghai Yige | 1,840 | – | – | – |
| Jesports Beijing | 2,000 | – | – | – |
| Ms. Ma | 81 | – | – | – |
| | <u>29,219</u> | <u>4,087</u> | <u>–</u> | <u>3</u> |
| (ii) Amounts due to related parties | | | | |
| Great Essence Holdings Limited | 35,762 | – | – | – |
| Jushi Creative | 10,000 | – | – | – |
| Kunshan Jiabao | – | 531 | N/A | N/A |
| Kunshan Renben | 26,742 | 7,742 | – | – |
| Jesports Beijing | 3 | – | – | – |
| Ms. Ma | 5 | – | – | – |
| Mr. Lai | 276 | 3,034 | – | – |
| | <u>72,788</u> | <u>11,307</u> | <u>–</u> | <u>–</u> |
| (iii) Sales commission payables | | | | |
| Ms. Li, Ting (<i>Note 27</i>) | <u>3,290</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| (iv) Prepayment for office building and staff quarter | | | | |
| Kunshan Jiabao (<i>Note 15</i>) | <u>–</u> | <u>53,468</u> | <u>N/A</u> | <u>N/A</u> |

Amounts due from and due to related parties are non-trade in nature and interest-free with no collaterals and no fixed settlement date. The amounts had been fully settled as the date of this report.

(e) Amounts due from/(to) subsidiaries of the Company

| | As at December 31, | | |
|-------------------------------|--------------------|----------------|----------------|
| | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | | |
| Amounts due from subsidiaries | 30,571 | 161,134 | 99,895 |
| Current liabilities | | | |
| Amounts due to subsidiaries | (653) | (16,758) | (30,562) |

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. In respect of the amounts due from subsidiaries which are not expected to be settled within 12 months, they are then classified as non-current assets.

37 SUBSEQUENT EVENTS

Pursuant to the resolutions of the shareholders of the Company passed on June 19, 2023, the directors of the Company were authorised to allot and issue a total of 178,445,376 shares credited as fully paid at par to the holders of Shares whose names are entered on the principal register of members of the Company maintained in the Cayman Islands prior to the capitalization issue in proportion to their respective shareholdings by way of capitalization.

Pursuant to a resolution passed in the shareholders' meeting of the Company on June 13, 2023, special dividends of HK\$60,000,000 were declared to the Company's shareholders.

There were no other material subsequent events took place after December 31, 2022.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2022 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of December 31, 2022 as if the Global Offering had taken place on December 31, 2022, assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2022 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as at December 31, 2022 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

| Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2022 | Estimated impact to the consolidated net tangible assets relating to termination of the redemption right upon the Global Offering | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as at December 31, 2022 | Unaudited pro forma adjusted net tangible assets per Share | |
|---|---|---|--|--|--------------------------------|
| <i>RMB'000</i> <i>(Note 1)</i> | <i>RMB'000</i> <i>(Note 2)</i> | <i>RMB'000</i> <i>(Note 3)</i> | <i>RMB'000</i> | <i>RMB</i> <i>(Note 4)</i> | <i>HK\$</i> <i>(Note 5)</i> |

Based on an Offer
Price of HK\$4.25
per Share

| | | | | | |
|---------|---------|---------|---------|------|------|
| 229,670 | 178,654 | 244,371 | 652,695 | 0.82 | 0.93 |
|---------|---------|---------|---------|------|------|

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at December 31, 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at December 31, 2022 of RMB233,542,000 with an adjustment for the intangible assets attributable to owners of the Company as at December 31, 2022 of RMB3,872,000 (excluding the portion of the intangible assets attributable to the non-controlling interests of the Group of RMB6,000).
- (2) Under the pre-IPO investment agreement with Bradbury Private Investment III Inc. ("Bradbury"), Bradbury was granted with a redemption right pursuant to which the Company shall repurchase all the shares from Bradbury if shares of the Company fails to be listed on the Main Board of the Stock Exchange of Hong Kong Limited on or before December 31, 2021. In accordance with the pre-IPO investment agreement, the redemption right was suspended immediately prior to the Company's submission of the listing application and would be restored automatically upon the earlier of the withdrawal of the Company's listing application, the Company's listing application being rejected, or the Company's listing process being terminated or listing application has lapsed for any reason. Such redemption right is recognized as a financial liability in the consolidated statement of financial position as at December 31, 2022, as set out in Appendix I to this prospectus. The redemption right will be terminated automatically upon the Global Offering. Accordingly, for the purpose of the unaudited pro forma statement of adjusted net tangible assets, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company have been increased by RMB178,654,000, being the carrying amount of the financial instrument with redemption rights as at December 31, 2022.
- (3) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$4.25 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (exclude those listing expenses of approximately RMB28,487,000 which have been accounted for in the consolidated statements of comprehensive income prior to December 31, 2022) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the General Mandate.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering have been completed on December 31, 2022 but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option, any Shares which may be issued under the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the General Mandate.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8805. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2022. In particular, the above unaudited pro forma adjusted net tangible assets have not been taken into account the special dividend of HK\$60,000,000 declared on June 13, 2023. Had the special dividend of HK\$60,000,000 been declared on December 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at December 31, 2022 would be approximately RMB599,865,000 while the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at December 31, 2022 would be RMB0.75 (equivalent to HK\$0.85).

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**羅兵咸永道****INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Star Plus Legend Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Star Plus Legend Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at December 31, 2022 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 30, 2023, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2022 as if the proposed initial public offering had taken place at December 31, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended December 31, 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 30, 2023

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at March 31, 2023 of the property interests held or contracted to be acquired by Star Plus Legend Holdings Limited and its subsidiaries.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place
979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

June 30, 2023

Star Plus Legend Holdings Limited

P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the property interests held or contracted to be acquired by Star Plus Legend Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at March 31, 2023 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest in Group I which is held for self-occupation by the Group by comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market.

In valuing the property interest in Group II which is contracted to be acquired by the Group, we have attributed no commercial value to the property interest which has not been assigned to the Group as at the valuation date, thus the title of the property is not vested in the Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates, Commodity Property Sale & Purchase Contracts and other documents relating to the property interests and have made relevant enquiries. We have relied considerably on the advice given by the Company's PRC Legal Advisors – Han Kun Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

The site inspection was carried out in August 2022 by Ms. Queena Qiao who has 6 years' valuation experience in the real estate industry of the PRC. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection,

we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

| | |
|-----------|---|
| Group I: | Property interest held for self-occupation by the Group in the PRC |
| Group II: | Property interest contracted to be acquired by the Group in the PRC |
| “–”: | Not applicable |

| No. | Property | Market value | Market value | The total |
|--------------|---|---|---|---|
| | | in existing state as at March 31, 2023 | in existing state as at March 31, 2023 | market value in existing state as at March 31, 2023 |
| | | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | | Group I | Group II | |
| 1. | 69 units on Levels 13 to 15 of Building No. 3-5# of Phase III of Dream World located at No. 1777 Lvdi Avenue Huaqiao Town Kunshan City Jiangsu Province The PRC | 56,000,000 | – | 56,000,000 |
| 2. | 48 units on Levels 18 to 20 of Building No. 3-2# of Phase III of Dream World located at No. 1777 Lvdi Avenue Huaqiao Town Kunshan City Jiangsu Province The PRC | – | No commercial value | No commercial value |
| Total | | | | <u>56,000,000</u> |

VALUATION CERTIFICATE

Group I – Property interest held for self-occupation by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at the valuation date |
|-----|---|---|--|---|
| | | | | <i>RMB</i> |
| 1. | 69 units on Levels 13 to 15 of Building No. 3-5# of Phase III of Dream World located at No. 1777 Lvdi Avenue Huaqiao Town Kunshan City Jiangsu Province The PRC | <p>Dream World is located at No. 1777 Lvdi Avenue, Huaqiao Town, Kunshan City. The locality is a mature residential and commercial area in the eastern part of Kunshan City.</p> <p>As advised, Dream World occupies a parcel of land with a site area of approximately 240 mu (including the land use rights of the property), which will be developed into a commercial complex with a total planned gross floor area of approximately 356,000 sq.m. upon completion.</p> <p>The property comprises all the 69 units on Levels 13 to 15 of Building No. 3-5#, Phase III of Dream World. The subject building has 15 storeys and is also known as Dream World Film and Video Centre Block No. 1 (夢世界影視中心1號樓).</p> <p>The property has a total gross floor area of approximately 3,507.63 sq.m. which was completed in 2021.</p> <p>The land use rights of the property have been granted for a term expiring on March 31, 2052 for office use.</p> | As at the valuation date, the property was occupied by the Group for staff quarters use. | 56,000,000 |

Notes:

- Kunshan Star Plus Action E-Commerce Company Limited (“**Kunshan Star Plus Action**”, 昆山巨星行動電子商務有限公司, a wholly-owned subsidiary of the Company) has entered into 69 Commodity Property Sale & Purchase Contracts dated December 31, 2020 with Kunshan Jiabao Netshang Culture Investment Co., Ltd. (“**Kunshan Jiabao**”, 昆山嘉寶網尚文化投資有限公司, an independent third party), to purchase all the 69 units on Levels 13 to 15 (Units 1301–1323, 1401–1423 and 1501–1523) of Building No. 3-5# of Phase III of Dream World at a consideration of RMB53,562,260. As confirmed by the Group, the consideration has been fully paid.
- Pursuant to 69 Real Estate Title Certificates, the property with a total gross floor area of approximately 3,507.63 sq.m. is owned by Kunshan Star Plus Action. The land use rights of the property have been granted for a term expiring on March 31, 2052 for office use.
- Our valuation has been made on the following basis and analysis:

In undertaking our valuation, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB12,000 to RMB17,000 per sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:
 - a. Kunshan Star Plus Action has obtained the Real Estate Title Certificates, the building ownership rights and the land use rights of the property;
 - b. Kunshan Star Plus Action is the sole owner of the property and legally in possession of the ownership rights of the property;
 - c. Pursuant to a Real Estate Mortgage Contract dated October 11, 2021, the property is subject to mortgage in favor of Bank of Shanghai Co., Ltd. Suzhou Sub-branch (the "Bank") as security to guarantee the obligation under a loan contract dated January 5, 2021 with the Bank; and
 - d. Save for the mortgage mentioned in note 4(c), Kunshan Star Plus Action can legally occupy, use, transfer, lease, mortgage or otherwise dispose of the property.

VALUATION CERTIFICATE

Group II – Property interest contracted to be acquired by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at the valuation date |
|-----|---|--|--|---|
| | | | | <i>RMB</i> |
| 2. | 48 units on Levels 18 to 20 of Building No. 3-2# of Phase III of Dream World located at No. 1777 Lvdi Avenue Huaqiao Town Kunshan City Jiangsu Province The PRC | <p>Dream World is located at No. 1777 Lvdi Avenue, Huaqiao Town, Kunshan City. The locality is a mature residential and commercial area in the eastern part of Kunshan City.</p> <p>As advised, Dream World occupies a parcel of land with a site area of approximately 240 mu (including the land use rights of the property), which will be developed into a commercial complex with a total planned gross floor area of approximately 356,000 sq.m. upon completion.</p> <p>The property comprises all the 48 units on Levels 18 to 20 of Building No. 3-2#, Phase III of Dream World. The subject building is a 21-storey office building and is also known as Dream World Film and Video Centre Block No. 10 (夢世界影視中心10號樓). The property has a total gross floor area of approximately 3,166.26 sq.m. As advised by the Group, construction work of the property was completed in January 2023 and will be delivered to the Group in mid-2023.</p> <p>The land use rights of the land parcel on which the property is erected thereon have been granted for a term expiring on March 31, 2052 for office and ancillary commercial uses.</p> | As at the valuation date, the property was vacant. | No commercial value |

Notes:

- Kunshan Star Plus Action has entered into 48 Commodity Property Sale & Purchase Contracts dated August 4, 2021 with Kunshan Jiabao to purchase 48 units on Levels 18 to 20 (Units 1801–1816, 1901–1916 and 2001–2016) of Building No. 3-2# of Phase III of Dream World with a total gross floor area of approximately 3,166.26 sq.m. at a total consideration of RMB50,023,440.
- Our valuation has been made on the following basis and analysis:

In undertaking our valuation for reference purpose as mentioned in note 3, we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB12,000 to RMB17,000 per sq.m. for office units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed unit rate for the property.

3. As at the valuation date, the property has not been assigned to the Group and thus the title of the property has not been vested in the Group. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB52,000,000, on condition that the relevant title certificates have been obtained and Kunshan Star Plus Action is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
4. As confirmed by the Group, the purchase price had been fully paid by the Group to purchase the property up to the valuation date.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:
 - a. The aforesaid Commodity Property Sale & Purchase Contracts are legal and valid, legally binding and enforceable under the applicable laws.
 - b. Kunshan Star Plus Action has the rights to claim contractual rights and require the other contracted party to perform contractual obligations based on such contracts. However, due to the fact that Kunshan Star Plus Action has not completed the application procedure of ownership rights registration and has not obtained the ownership certificates, Kunshan Star Plus Action's ownership of the property has not yet become valid; and
 - c. There is no legal impediment for Kunshan Star Plus Action in obtaining title certificates for the property after completion of construction of the property.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN COMPANIES ACT

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 3, 2020 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 19, 2023 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(b) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting,

provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy at least one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN COMPANIES ACT**

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

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Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

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A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

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The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorize such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

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The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorized officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s)

himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

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The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN COMPANIES ACT**

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on January 3, 2020 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision), which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VI. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was established in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on January 3, 2020. We have established a principal place of business in Hong Kong at Unit 2310–11, 23rd Floor, Tower Two, Lippo Centre, 89 Queensway, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 28, 2021. Mr. Lai has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in the section headed “Summary of the constitution of our Company and the Cayman Companies Act” in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

On the date of incorporation, the authorized share capital of our Company was US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each. One ordinary share of a par value of US\$1.00 was allotted and issued to the initial subscriber and was subsequently transferred to Star Media.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company:

- (i) On July 29, 2020, the authorized share capital of our Company was changed from US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each to US\$50,000 divided into 5,000,000,000 Shares of a par value of US\$0.00001 each;
- (ii) On August 4, 2020, our Company allotted and issued 150,000,000 Shares, 150,000,000 Shares, 74,900,000 Shares, 75,000,000 Shares and 50,000,000 Shares at par value to Best Million, Legend Key, Star Media, Lake Ranch and Max One, respectively;
- (iii) On January 10, 2021, our Company allotted and issued 12,820,512 Shares at a consideration of HK\$37.5 million to Long Precise; and
- (iv) On February 17, 2021, our Company allotted and issued 30,094,112 Shares at a consideration of HK\$200 million to Bradbury.

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes), the authorized share capital of our Company will be US\$50,000, divided into 5,000,000,000 Shares of a par value of US\$0.00001 each, of which 800,000,000 Shares will be in issue and are fully paid or credited as fully paid and 4,200,000,000 Shares will remain unissued.

Save as disclosed above and in the paragraph headed “– A. Further information about our Group – 3. Resolutions of our Shareholders” below in this appendix, there has been no alteration in the share capital of our Company since our incorporation.

3. Resolutions of our Shareholders

Written resolutions were passed by the Shareholders on June 19, 2023, pursuant to which, among other things:

- (i) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (2) the price per Offer Share having been determined; and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (a) the Memorandum and Articles of Association was adopted with effect from the Listing Date;
 - (b) the Global Offering was approved and our Directors were authorized to allot and issue new Shares pursuant to the Global Offering;
 - (c) the granting of the Over-allotment Option was approved;
 - (d) the proposed Listing was approved and our Directors were authorized to implement the Listing;

- (e) subject to and conditional upon the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 178,445,376 Shares credited as fully paid at par to the holders of Shares whose names are entered on the principal register of members of the Company maintained in the Cayman Islands prior to the Capitalization Issue (or as they may direct) in proportion to their respective shareholdings by way of capitalization of the sum of approximately US\$1,784.45 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;
- (f) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by our Directors other than pursuant to (a) a rights issue, (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (c) the exercise of Options granted under the Pre-IPO Stock Incentive Plan and any Options which may be granted under the Post-IPO Share Option Scheme, (d) the exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution, or (e) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total number of the issued Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Options granted under the Pre-IPO Stock Incentive Plan or any Options which may be granted under the Post-IPO Share Option Scheme) and (2) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (g) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting and the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “**Applicable Period**”);

- (g) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares of not more than 10% of the number of issued Shares immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and the Options granted under the Pre-IPO Stock Incentive Plan or any Options which may be granted under the Post-IPO Share Option Scheme), such mandate to remain in effect during the Applicable Period; and
- (h) the general unconditional mandate mentioned in paragraph (f) above be extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company's share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued upon the exercise of the Over-allotment Option and the Options granted under the Pre-IPO Stock Incentive Plan or any Options which may be granted under the Post-IPO Share Option Scheme); and
- (ii) conditional on (a) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the exercise of any Options which were granted under the Pre-IPO Stock Incentive Plan and any Options which may be granted pursuant to the Post-IPO Share Option Scheme and (b) the commencement of trading of the Shares on the Main Board of the Stock Exchange, (1) the adoption of the Post-IPO Share Option Scheme was approved and (2) our Board was authorized to allot, issue and deal with Shares pursuant to the exercise of any Options which may be granted pursuant to the Post-IPO Share Option Scheme.

4. Our corporate reorganization

The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please see the section headed "History, development and reorganization" in this prospectus for details.

5. Changes in the share capital of our subsidiaries

Our subsidiaries are listed in the section headed “Accountant’s Report” in Appendix I to this prospectus. The following alterations in the share capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus:

| <u>Name of subsidiary</u> | <u>Date of change</u> | <u>Registered capital before change</u> | <u>Registered capital after change</u> |
|-----------------------------------|-----------------------|---|--|
| Star Plus Entertainment (Kunshan) | July 14, 2021 | RMB1,000,000 | RMB10,000,000 |
| Star Plus Excellence | July 14, 2021 | RMB1,000,000 | RMB10,000,000 |
| Star Plus JM (Kunshan) | July 14, 2021 | RMB1,000,000 | RMB10,000,000 |
| Star Plus IP (Kunshan) | July 15, 2021 | RMB1,000,000 | RMB10,000,000 |
| Kunshan Star Plus Action | November 19, 2021 | RMB10,000,000 | RMB100,000,000 |

Save as disclosed above, there have been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchases of our own securities

(i) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(a) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 19, 2023, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the Options granted under the Pre-IPO Stock Incentive Plan and the Post-IPO Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Act or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever first occurs.

(b) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the number of issued Shares of our Company. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(c) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically canceled and the certificates for those securities must be canceled and destroyed.

(d) Suspension of repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(e) Reporting requirements

Certain information relating to repurchases of securities made by a listed company on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(f) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his or her securities to the listed company.

(ii) Reasons for repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(iii) Funding of repurchases

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any repurchases of Shares by our Company must be made out of the profits of our Company, the sum standing to the credit of the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Act, out of capital. Any premium payable on a repurchase must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Act, out of capital.

There could be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(iv) General

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the Options granted under the Pre-IPO Stock Incentive Plan or any Options which may be

granted under the Post-IPO Share Option Scheme, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Codes. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Codes), depending on the level of interests held by such Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Codes. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Codes as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% (or a higher percentage upon completion of the exercise of the Over-allotment Option) of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) the cornerstone investment agreement dated May 22, 2023 entered into among Star Plus Legend Holdings Limited, Blink Field Limited, Zhang Yuan, CMBC International Capital Limited (民銀資本有限公司) and CMBC Securities Company Limited (民銀證券有限公司), pursuant to which Blink Field Limited agreed to subscribe for Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US\$15,000,000 (excluding brokerage and levies);
- (ii) the cornerstone investment agreement dated May 24, 2023 entered into among Star Plus Legend Holdings Limited, NetDragon Websoft Inc., NetDragon Websoft Holdings Limited, CMBC International Capital Limited and CMBC Securities Company Limited, pursuant to which NetDragon Websoft Inc. agreed to subscribe for Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US\$3,000,000 (excluding brokerage and levies);
- (iii) the Deed of Non-competition;
- (iv) the Deed of Indemnity; and
- (v) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group

(i) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which are material to our business:

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|------------------------------|-------|-----------------------|---------------------|----------------------|------------------|---|
| STAR PLUS LEGEND HOLDINGS | 14 | PRC | 49027883A | May 28, 2021 | May 27, 2031 | Star Plus Development |
| STAR PLUS | 38 | PRC | 49358417 | April 28, 2021 | April 27, 2031 | Star Plus Development |
| STAR PLUS | 9 | PRC | 49031444A | May 28, 2021 | May 27, 2031 | Star Plus Development |
| STAR PLUS | 35 | PRC | 49027887A | July 7, 2021 | July 6, 2031 | Star Plus Development |
| STAR PLUS | 14 | PRC | 49027882 | April 7, 2021 | April 6, 2031 | Star Plus Development |
| 巨星传奇 | 38 | PRC | 50093621 | June 14, 2021 | June 13, 2031 | Star Plus Development |
| CHOUMATE | 15 | PRC | 46675461 | January 28, 2021 | January 27, 2031 | Star Plus Development and JVR Music |
| CHOUMATE | 9 | PRC | 46645002 | April 7, 2021 | April 6, 2031 | Star Plus Development and JVR Music |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|---|-----------------------|---------------------|----------------------|-------------------|---|
| CHOUMATE | 28, 12, 23, 44, 22, 36, 39, 5, 34, 25, 38, 24, 21, 11, 27, 2, 42 | PRC | 46683884, | January 21, 2021 | January 20, 2031 | Star Plus Development and JVR Music |
| | | | 46683797, | | | |
| | | | 46683494, | | | |
| | | | 46676159, | | | |
| | | | 46675415, | | | |
| | | | 46668211, | | | |
| | | | 46668196, | | | |
| | | | 46665145, | | | |
| | | | 46663272, | | | |
| | | | 46663252, | | | |
| | | | 46663236, | | | |
| | | | 46661444, | | | |
| | | | 46656965, | | | |
| | | | 46656933, | | | |
| | | | 46656813, | | | |
| 46652674, | | | | | | |
| 46646693 | | | | | | |
|  | 30, 43, 32, 29, 35 | PRC | 46242938, | February 14, 2021 | February 13, 2031 | Star Plus Development and JVR Music |
| | | | 46234639, | | | |
| | | | 46220968, | | | |
| | | | 46220958, | | | |
| | | | 46212460 | | | |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--|-----------------------|---|----------------------|-------------------|-------------------------------------|
|  | 25 | PRC | 45895098 | March 28, 2021 | March 27, 2031 | Star Plus Development and JVR Music |
|  | 28 | PRC | 45890835 | January 21, 2021 | January 20, 2031 | Star Plus Development and JVR Music |
|  | 42 | PRC | 45866826A | February 14, 2021 | February 13, 2031 | Star Plus Development and JVR Music |
|  | 36 | PRC | 45867600 | March 21, 2021 | March 20, 2031 | Star Plus Development and JVR Music |
|  | 23 | PRC | 45877779 | January 28, 2020 | January 27, 2030 | Star Plus Development and JVR Music |
|  | 44, 22, 34, 14, 5, 3, 21, 43, 30, 20, 12, 2, 41, 32 | PRC | 45894112, 45891314, 45890913, 45887059, 45885859, 45885853, 45885161, 45883759, 45883475, 45883165, 45883090, 45882979, 45878855, 45861112 | December 28, 2020 | December 27, 2030 | Star Plus Development and JVR Music |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|-------------------------|-----------------------|--|----------------------|------------------|---|
|  | 35, 26, 27, 11 | PRC | 45861203, 45869255, 45869278, 45869742 | January 7, 2021 | January 6, 2031 | Star Plus Development and JVR Music |
|  | 38, 24 | PRC | 45877989, 45862091 | January 14, 2021 | January 13, 2031 | Star Plus Development and JVR Music |
|  | 31, 15 | PRC | 45877895, 45877456 | January 28, 2021 | January 27, 2031 | Star Plus Development and JVR Music |
|  | 33, 9, 10, 39, 18 | PRC | 45899793, 45897307, 45866665, 45871651, 45874934 | February 7, 2021 | February 6, 2031 | Star Plus Development and JVR Music |
|  | 29, 16 | PRC | 45899604A, 45877481A | March 7, 2021 | March 6, 2031 | Star Plus Development and JVR Music |
| 周同学 | 42 | PRC | 40550370 | April 7, 2020 | April 6, 2030 | Star Plus Development and JVR Music |
| 周同学 | 30 | PRC | 43929045 | January 14, 2021 | January 13, 2031 | Star Plus Development and JVR Music |
| 周同学 | 11 | PRC | 40562622 | April 14, 2020 | April 13, 2030 | Star Plus Development and JVR Music |
| 周同学 | 9 | PRC | 40555064A | May 14, 2020 | May 13, 2030 | Star Plus Development and JVR Music |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|-----------|-----------|-----------------------|-----------------------|----------------------|------------------|---|
| 周同学 | 34, 39, | PRC | 40579206, | April 7, 2020 | April 6, 2030 | Star Plus Development and JVR Music |
| | 15, 24, | | 40578436, | | | |
| | 44, 35, | | 40577400, | | | |
| | 25, 27, | | 40575859, | | | |
| | 12, 18, | | 40575797, | | | |
| | 31, 38, | | 40575563, | | | |
| | 28, 29, | | 40573609, | | | |
| | 21, 14, | | 40570161, | | | |
| | 5, 22, | | 40570143, | | | |
| | 23, 43, | | 40566767, | | | |
| | 26, 2, | | 40566480, | | | |
| | 36, 10, 3 | | 40566472, | | | |
| | | | 40560959, | | | |
| | | | 40559718, | | | |
| | | | 40559665, | | | |
| | | | 40559654, | | | |
| | | | 40559634, | | | |
| | 40559445, | | | | | |
| | 40558158, | | | | | |
| | 40556652, | | | | | |
| | 40556626, | | | | | |
| | 40556435, | | | | | |
| | 40555072, | | | | | |
| | 40550556, | | | | | |
| | 40550510 | | | | | |
| 周同学 | 20, 30 | PRC | 40572667, 40561277 | June 7, 2020 | June 6, 2030 | Star Plus Development and JVR Music |
| 周同学 | 16, 9 | PRC | 40556704, 40555064 | March 21, 2021 | March 20, 2031 | Star Plus Development and JVR Music |
| 周游记 | 14 | PRC | 29582679 | January 21, 2019 | January 20, 2029 | Star Plus (Kunshan) |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|-----------|--|-----------------------|-----------------------|----------------------|------------------|------------------------|
| 周游记 | 2, 27, 15, 24, 34, 33, 10, 5, 26, 23, 12, 3, 20 | PRC | 29582644, | January 14, 2019 | January 13, 2029 | Star Plus (Kunshan) |
| | | | 29582360, | | | |
| | | | 29580913, | | | |
| | | | 29579365, | | | |
| | | | 29576838, | | | |
| | | | 29574820, | | | |
| | | | 29573477, | | | |
| | | | 29573472, | | | |
| | | | 29571843, | | | |
| | | | 29571821, | | | |
| | | | 29571778, | | | |
| | | | 29567819, | | | |
| | | | 29562213 | | | |
| 周游记 | 32, 21, 44, 11, 31, 30, 29 | PRC | 29582413, | April 28, 2019 | April 27, 2029 | Star Plus (Kunshan) |
| | | | 29582321, | | | |
| | | | 29580992, | | | |
| | | | 29580889, | | | |
| | | | 29577747, | | | |
| | | | 29576963, 29568829 | | | |
| 周遊記 | 5, 2, 24, 10, 20, 15, 33 | PRC | 29582656, | January 21, 2019 | January 20, 2029 | Star Plus (Kunshan) |
| | | | 29582641, | | | |
| | | | 29582342, | | | |
| | | | 29578017, | | | |
| | | | 29576236, | | | |
| | | | 29568761, | | | |
| | | | 29568308 | | | |
| 周遊記 | 27, 14, 23, 12, 26, 34, 3 | PRC | 29582358, | January 14, 2019 | January 13, 2029 | Star Plus (Kunshan) |
| | | | 29576216, | | | |
| | | | 29573232, | | | |
| | | | 29571776, | | | |
| | | | 29568808, | | | |
| | | | 29568327, 29566243 | | | |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|------------------------------|-----------------------|---|----------------------|-------------------|-----------------------------|
| 周遊記 | 30, 29, 44, 31, 32, 11 | PRC | 29573281, 29571563, 29571475, 29563780, 29562607, 29561982 | April 28, 2019 | April 27, 2029 | Star Plus (Kunshan) |
|  | 35 | PRC | 43376906 | February 21, 2021 | February 20, 2031 | Star Plus (Kunshan) |
|  | 9 | PRC | 43373399 | December 21, 2020 | December 20, 2030 | Star Plus (Kunshan) |
|  | 9 | PRC | 53786529 | November 28, 2021 | November 27, 2031 | Star Plus (Kunshan) |
|  | 30 | PRC | 53775249 | December 7, 2021 | December 6, 2031 | Star Plus (Kunshan) |
| J-STYLE TRIP | 39, 28, 41 | PRC | 44960959, 44957269, 44957237 | December 14, 2020 | December 13, 2030 | Star Plus (Kunshan) |
| J-STYLE TRIP | 5, 9 | PRC | 44975365, 44971153 | December 28, 2020 | December 27, 2030 | Star Plus (Kunshan) |
| J-STYLE TRIP | 3 | PRC | 44971177 | December 21, 2020 | December 20, 2030 | Star Plus (Kunshan) |
| J-STYLE TRIP | 16 | PRC | 44964663 | March 7, 2021 | March 6, 2031 | Star Plus (Kunshan) |
| J-STYLE TRIP | 35 | PRC | 44946519 | February 21, 2021 | February 20, 2031 | Star Plus (Kunshan) |
| LA DEW | 32 | PRC | 44656457 | December 7, 2020 | December 6, 2030 | Kunshan Star Plus Action |
| LA DEW | 30, 25 | PRC | 38817990, 36963704 | February 7, 2020 | February 6, 2030 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|-----------|-------------------|-----------------------|---|----------------------|-------------------|--------------------------|
| LA DEW | 5, 5 | PRC | 36970723, 36969410 | February 21, 2020 | February 20, 2030 | Kunshan Star Plus Action |
| LA DEW | 3 | PRC | 36968771 | December 14, 2019 | December 13, 2029 | Kunshan Star Plus Action |
| LA DEW | 32 | PRC | 36966089 | December 21, 2019 | December 20, 2029 | Kunshan Star Plus Action |
| LA DEW | 11, 35 | PRC | 36966039, 36949190 | November 14, 2019 | November 13, 2029 | Kunshan Star Plus Action |
| LA DEW | 44, 36, 28, 18 | PRC | 36959038, 36958885, 36955717, 36949215 | November 21, 2019 | November 20, 2029 | Kunshan Star Plus Action |
| LA DEW | 5 | PRC | 48938992A | April 21, 2021 | April 20, 2031 | Kunshan Star Plus Action |
| LA DEW | 29 | PRC | 45854154 | April 14, 2021 | April 13, 2031 | Kunshan Star Plus Action |
| LA DEW | 31 | PRC | 45838923 | December 28, 2020 | December 27, 2030 | Kunshan Star Plus Action |
| LA DEW | 5 | PRC | 48938992 | October 28, 2021 | October 27, 2031 | Kunshan Star Plus Action |
| 魔洞 | 25 | PRC | 50118591 | June 7, 2021 | June 6, 2031 | Star Plus Development |
| 魔洞 | 9 | PRC | 48634121 | March 21, 2021 | March 20, 2031 | Star Plus Development |
| 魔洞 | 42 | PRC | 45821157 | April 7, 2020 | April 6, 2030 | Star Plus Development |
| 魔洞 | 25 | PRC | 45821036 | February 7, 2021 | February 6, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|-----------|--|-----------------------|---|----------------------|-------------------|-----------------------|
| 魔洞 | 16 | PRC | 45831490 | March 7, 2021 | March 6, 2031 | Star Plus Development |
| 魔洞 | 44 | PRC | 45834952 | February 14, 2021 | February 13, 2031 | Star Plus Development |
| 魔洞 | 43, 35 | PRC | 47158269, 47153150 | July 28, 2021 | July 27, 2031 | Star Plus Development |
| 魔洞 | 21, 14, 23, 45, 6, 24, 27, 7, 36, 39, 13, 34, 1, 12, 17, 26, 40, 22, 31, 4, 2, 8, 10, 11, 18, 15, 37, 20, 38, 19 | PRC | 45825966, 45825837, 45825991, 45827260, 45827314, 45827437, 45827486, 45829908, 45830022, 45830056, 45830309, 45834887, 45835562, 45835903, 45836024, 45837090, 45837192, 45837709, 45842701, 45844365, 45844925, 45845234, 45845248, 45845278, 45849055, 45851217, 45851494, 45855960, 45858869, 45859615 | December 14, 2020 | December 13, 2030 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|------------------|-----------------------|---|----------------------|-------------------|-----------------------|
|  | 43 | PRC | 54655269 | October 28, 2021 | October 27, 2031 | Star Plus Development |
|  | 35 | PRC | 54643098 | December 21, 2021 | December 20, 2031 | Star Plus Development |
| DRMG | 3 | PRC | 49986129 | July 28, 2021 | July 27, 2031 | Star Plus Development |
| DRMG | 3 | PRC | 54643110 | October 28, 2021 | October 27, 2031 | Star Plus Development |
|  | 15 | PRC | 49023401 | March 28, 2021 | March 27, 2031 | Star Plus Development |
|  | 31 | PRC | 49017025 | March 21, 2021 | March 20, 2031 | Star Plus Development |
|  | 3, 11, 20 | PRC | 49809580A, 49034417, 49017771 | July 7, 2021 | July 6, 2031 | Star Plus Development |
|  | 10, 24, 8 | PRC | 49017389, 49013525, 49012064 | June 7, 2021 | June 6, 2031 | Star Plus Development |
|  | 28, 29, 44 | PRC | 49016174A, 49009192A, 49007226A | May 14, 2021 | May 13, 2031 | Star Plus Development |
|  | 32, 13 | PRC | 49015862, 49005555 | April 7, 2021 | April 6, 2031 | Star Plus Development |
| Dr.mg | 43 | PRC | 49365906 | May 28, 2021 | May 27, 2031 | Star Plus Development |
| Dr.mg | 18, 8, 10, 16 | PRC | 46246257, 46234037, 46221368, 46214067 | February 14, 2021 | February 13, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--|-----------------------|---|----------------------|-------------------|--------------------------|
|  | 39, 29, 24, 22, 14, 11, 23, 26, 31, 15 | PRC | 49371924, 49371314, 49365729, 49363248, 49363226, 49363216, 49358859, 49358531, 49349124, 49348984 | April 7, 2021 | April 6, 2031 | Star Plus Development |
|  | 5 | PRC | 55439758 | November 21, 2021 | November 20, 2031 | Star Plus Development |
|  | 21 | PRC | 55417401 | November 28, 2021 | November 27, 2031 | Star Plus Development |
|  | 3 | PRC | 55447305 | December 7, 2021 | December 6, 2031 | Star Plus Development |
|  | 44 | PRC | 49035762 | June 7, 2021 | June 6, 2031 | Star Plus Development |
|  | 43 | PRC | 49035752A | May 14, 2021 | May 13, 2031 | Star Plus Development |
|  | 27 | PRC | 49015458 | April 7, 2021 | April 6, 2031 | Star Plus Development |
|  | 26, 13, 12, 8, 31, 3, 10, 15, 14, 11 | PRC | 49035732, 49034428, 49027937, 49027905, 49015846, 49015421, 49012071, 49010624, 49010618, 49010592 | March 28, 2021 | March 27, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|-------------------------------------|-----------------------|--|----------------------|----------------|--------------------------|
|  | 29, 30 | PRC | 49026416, 49013633 | July 7, 2021 | July 6, 2031 | Star Plus Development |
|  | 21 | PRC | 48312104 | April 14, 2021 | April 13, 2031 | Star Plus Development |
|  | 7 | PRC | 48309648 | April 28, 2021 | April 27, 2031 | Star Plus Development |
|  | 19 | PRC | 48294515 | June 7, 2021 | June 6, 2031 | Star Plus Development |
|  | 16 | PRC | 48252643 | June 21, 2021 | June 20, 2031 | Star Plus Development |
|  | 26, 37, 31, 40, 22, 42, 24 | PRC | 48317143, 48312549, 48312512, 48312168, 48312108, 48297828, 48290423 | March 21, 2021 | March 20, 2031 | Star Plus Development |
|  | 6, 14, 11, 1, 2, 12, 4 | PRC | 48272307, 48267535, 48266798, 48259072, 48255864, 48254276, 48247340 | March 7, 2021 | March 6, 2031 | Star Plus Development |
|  | 20, 13 | PRC | 48302205, 48254497 | April 7, 2021 | April 6, 2031 | Star Plus Development |
|  | 5, 25 | PRC | 48267208, 48293655 | July 7, 2021 | July 6, 2031 | Star Plus Development |
|  | 27, 23, 34, 18 | PRC | 48305708, 48296317, 48290479, 48276563 | March 14, 2021 | March 13, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|------------------|-----------------------|---|----------------------|--------------------|--------------------------|
|  | 28, 9 | PRC | 48309527, 48284947 | August 7, 2021 | August 6, 2031 | Star Plus Development |
|  | 41, 33 | PRC | 48309622, 48290109 | July 28, 2021 | July 27, 2031 | Star Plus Development |
| DRMG | 3 | PRC | 40031049 | June 21, 2020 | June 20, 2030 | Star Plus Development |
| 魔洞 | 30 | PRC | 36955805 | November 21, 2019 | November 20, 2029 | Star Plus Development |
| 巨星优选 | 5 | PRC | 30519605 | February 21, 2019 | February 20, 2029 | Star Plus Development |
| 巨星优选 | 14 | PRC | 30518732 | July 7, 2019 | July 6, 2029 | Star Plus Development |
| 巨星优选 | 26, 36, 30, 8 | PRC | 30535097, 30533255, 30522397, 30518721 | February 14, 2019 | February 13, 2029 | Star Plus Development |
| 巨星优选 | 32, 18, 3, 42 | PRC | 30533242, 30526253, 30523603, 30520856 | May 21, 2019 | May 20, 2029 | Star Plus Development |
|  | 3 | PRC | 26709499 | September 21, 2018 | September 20, 2028 | Star Plus Development |
|  | 3 | PRC | 26584802 | September 21, 2018 | September 20, 2028 | Star Plus Development |
|  | 3 | PRC | 41936218 | October 28, 2020 | October 27, 2030 | Star Plus Development |
|  | 5 | PRC | 41918133 | June 28, 2021 | June 27, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|------------------------------------|-----------------------|--|----------------------|--------------------|--------------------------|
|  | 3, 5 | PRC | 41936222, 41913744 | October 28, 2020 | October 27, 2030 | Star Plus Development |
|  | 9, 41, 43, 32, 33, 35, 28 | PRC | 40705662, 40705650, 40703876, 40698151, 40694220, 40685208, 40682143 | April 14, 2020 | April 13, 2030 | Star Plus Development |
| 巨星行动超级夜 | 41 | PRC | 44233847 | November 14, 2020 | November 13, 2030 | Kunshan Star Plus Action |
|  | 26 | PRC | 30522107 | May 21, 2019 | May 20, 2029 | Kunshan Star Plus Action |
|  | 3 | PRC | 35576017 | September 7, 2019 | September 6, 2029 | Kunshan Star Plus Action |
|  | 41, 35 | PRC | 35570798, 35567564 | September 21, 2019 | September 20, 2029 | Kunshan Star Plus Action |
|  | 26, 25, 42 | PRC | 35567555, 35561564, 35556635 | September 14, 2019 | September 13, 2029 | Kunshan Star Plus Action |
|  | 9 | PRC | 35564872 | September 7, 2019 | September 6, 2029 | Kunshan Star Plus Action |
|  | 45 | PRC | 54214094 | October 28, 2021 | October 27, 2031 | Kunshan Star Plus Action |
| Star Plus 4U | 42, 9, 35 | PRC | 50142917, 50127716, 50126313 | June 7, 2021 | June 6, 2031 | Star Plus Development |
| 巨星优选 | 35 | PRC | 47225684A | March 28, 2021 | March 27, 2031 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|-----------|--|-----------------------|---|----------------------|--------------------|--------------------------|
| 巨星优选 | 9 | PRC | 47213301A | April 7, 2021 | April 6, 2031 | Kunshan Star Plus Action |
| 巨星优选 | 42 | PRC | 47205258A | March 21, 2021 | March 20, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 3 | PRC | 36964511 | December 7, 2019 | December 6, 2029 | Kunshan Star Plus Action |
| 达人悦己 | 29, 30, 5, 36, 14, 35, 11, 25 | PRC | 36963630, 36963491, 36963481, 36961257, 36954416, 36954361, 36951006, 36948779 | November 21, 2019 | November 20, 2029 | Kunshan Star Plus Action |
| 达人悦己 | 28 | PRC | 36948401 | November 14, 2019 | November 13, 2029 | Kunshan Star Plus Action |
| 达人悦己 | 33 | PRC | 50104472 | June 14, 2021 | June 13, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 43 | PRC | 50098225 | May 28, 2021 | May 27, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 31 | PRC | 50090238 | June 7, 2021 | June 6, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 30 | PRC | 54182349 | September 28, 2021 | September 27, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 18 | PRC | 54207614 | October 28, 2021 | October 27, 2031 | Kunshan Star Plus Action |
| 达人悦己 | 5, 11 | PRC | 27763316, 27758433 | November 7, 2018 | November 6, 2028 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|------------------|------------------------------------|-----------------------|--|----------------------|-------------------|--------------------------|
| 达人悦己 | 36, 28, 25, 3, 30, 29, 14 | PRC | 27758451, 27754005, 27753673, 27753614, 27747579, 27747558, 27747536 | October 28, 2018 | October 27, 2028 | Kunshan Star Plus Action |
| 达人悦己 | 35 | PRC | 27757776 | November 21, 2018 | November 20, 2028 | Kunshan Star Plus Action |
| 魔力通 MOLITONE | 30 | PRC | 43917767 | January 28, 2021 | January 27, 2031 | Kunshan Star Plus Action |
| 魔力通 MOLITONE | 29, 33, 35, 31 | PRC | 48182273, 48176970, 48162720, 48162692 | March 7, 2021 | March 6, 2031 | Kunshan Star Plus Action |
| 魔力通 MOLITONE | 43 | PRC | 48164783 | April 7, 2021 | April 6, 2031 | Kunshan Star Plus Action |
| 巨星江睿 | 3, 35, 41, 44 | PRC | 52374836 52383488 52383560 52392864 | August 14, 2021 | August 13, 2031 | Kunshan Star Plus Action |
| 巨星江睿 | 38, 42 | PRC | 52388219 52361168 | August 21, 2021 | August 20, 2031 | Kunshan Star Plus Action |
| 巨星江睿 | 16 | PRC | 52373951 | August 28, 2021 | August 27, 2031 | Kunshan Star Plus Action |
| 巨星江睿 | 9 | PRC | 52381191 | September 7, 2021 | September 6, 2031 | Kunshan Star Plus Action |
| Star Plus Action | 9, 42 | PRC | 52376920 52363923 | August 14, 2021 | August 13, 2031 | Kunshan Star Plus Action |
| Star Plus Action | 35, 38 | PRC | 52375567 52375587 | August 21, 2021 | August 20, 2031 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--------------------------|-----------------------|--|----------------------|--------------------|--------------------------|
| La DEW | 10, 31 | PRC | 52511808 52492013 | August 21, 2021 | August 20, 2031 | Kunshan Star Plus Action |
| La DEW | 29, 32, 33, 35, 44 | PRC | 52486484 52501221 52487413 52484478 52511820 | August 28, 2021 | August 27, 2031 | Kunshan Star Plus Action |
| 巨星优选 | 42 | PRC | 51454068 | October 21, 2021 | October 20, 2031 | Kunshan Star Plus Action |
| La DEW | 30 | PRC | 52481023 | September 21, 2021 | September 20, 2031 | Kunshan Star Plus Action |
| La DEW | 5 | PRC | 52363847A | September 28, 2021 | September 27, 2031 | Kunshan Star Plus Action |
| La DEW | 26 | PRC | 52487775 | October 21, 2021 | October 20, 2031 | Kunshan Star Plus Action |
| La DEW | 9 | PRC | 53668354 | December 21, 2021 | December 20, 2031 | Kunshan Star Plus Action |
| La DEW | 14 | PRC | 52500290 | September 14, 2022 | September 13, 2032 | Kunshan Star Plus Action |
|  | 42 | PRC | 53668382 | September 28, 2021 | September 27, 2031 | Kunshan Star Plus Action |
|  | 45 | PRC | 54224000 | October 28, 2021 | October 27, 2031 | Kunshan Star Plus Action |
|  | 3, 31, 33 | PRC | 56919602, 56909120, 56916366 | January 7, 2022 | January 6, 2032 | Kunshan Star Plus Action |
| 巨星优选 | 42 | PRC | 47205258 | December 28, 2021 | December 27, 2031 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--------------------------------|-----------------------|--|----------------------|--------------------|--------------------------|
| 摩肌博士 | 26, 24, 18, 21, 8, 20 | PRC | 52676433, 52674889, 52674814, 52673269, 52672165, 52669408 | August 21, 2021 | August 20, 2031 | Star Plus Development |
| 盈养博士 | 3, 43, 31, 44, 5, 32, 33 | PRC | 46627639, 46623392, 46622608, 46621143, 46618284, 46617052, 46604810 | February 7, 2021 | February 6, 2031 | Star Plus Development |
| 盈养博士 | 29 | PRC | 46621540 | July 7, 2021 | July 6, 2031 | Star Plus Development |
| 盈养博士 | 30 | PRC | 52093082 | August 14, 2021 | August 13, 2031 | Star Plus Development |
| 盈养博士 | 30 | PRC | 46604731 | August 21, 2021 | August 20, 2031 | Star Plus Development |
|  | 3 | PRC | 52073433 | August 21, 2021 | August 20, 2031 | Star Plus Development |
| Dr.mg | 3 | PRC | 50123093 | August 21, 2021 | August 20, 2031 | Star Plus Development |
|  | 3 | PRC | 50120305 | September 28, 2021 | September 27, 2031 | Star Plus Development |
| Dr.mg | 3 | PRC | 50119938 | September 21, 2021 | September 20, 2031 | Star Plus Development |
| 既来则乐 | 35, 9, 38 | PRC | 53452850, 53477060, 53456933 | October 7, 2021 | October 6, 2031 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|--------------|------------------------------------|-----------------------|--|----------------------|--------------------|-----------------------|
| 既来则乐 | 41 | PRC | 53455223 | December 28, 2021 | December 27, 2031 | Star Plus Development |
| 既来则乐 | 3, 8, 15, 26, 16 | PRC | 53873259, 53881890, 53864250, 53863860, 53873908 | September 14, 2021 | September 13, 2031 | Star Plus Development |
| 既来则乐 | 29, 28, 36, 21, 14 | PRC | 53865372, 53880592, 53856624, 53856983, 53865429 | September 21, 2021 | September 20, 2031 | Star Plus Development |
| 既来则乐 | 30, 44, 5 | PRC | 53880619, 53880695, 53873279 | December 7, 2021 | December 6, 2031 | Star Plus Development |
| 既来则乐 | 24, 2, 42, 39, 12, 10, 25 | PRC | 53880557, 53856206, 53856640, 53862457, 53873860, 53857759, 53875076 | September 14, 2021 | September 13, 2031 | Star Plus Development |
| 既来则乐 | 18, 11, 31, 33, 20 | PRC | 53855441, 53857771, 53880641, 53873534, 53880525 | September 21, 2021 | September 20, 2031 | Star Plus Development |
| 既来则乐 | 32 | PRC | 53878100 | December 21, 2021 | December 20, 2031 | Star Plus Development |
| J-STYLE TRIP | 38 | PRC | 56715545 | February 21, 2022 | February 20, 2032 | Star Plus (Kunshan) |
| J-Style Trip | 38 | PRC | 52498229 | March 14, 2022 | March 13, 2032 | Star Plus (Kunshan) |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--|-----------------------|--|----------------------|----------------|--------------------------|
|  | 9 | PRC | 56148107 | March 14, 2022 | March 13, 2032 | Kunshan Star Plus Action |
| LA DEW LAW | 16 | PRC | 59024019 | March 14, 2022 | March 13, 2032 | Kunshan Star Plus Action |
|  | 36 | PRC | 57537360 | March 21, 2022 | March 20, 2032 | Kunshan Star Plus Action |
|  | 1, 2, 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 31, 32, 33, 34, 37, 38, 39, 40, 41, 42, 43, 44, 45 | PRC | 61021649, 61004626, 61012015, 61018229, 61007538, 61017951, 61033992, 61029932, 61000003, 61022285, 61035437, 61026997, 61028570, 61006670, 61011426, 61032128, 61004535, 61000119, 61015538, 61034041, 61007824, 61023834, 61032815, 61017642, 61032856, 61019016, 61014354, 61033187, 61025770, 61006239, 61046310, 61009701, 61015567, 61045780, 61027290 | May 14, 2022 | May 13, 2032 | Kunshan Star Plus Action |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|----------|-----------------------|------------------------------------|----------------------|-------------------|---|
|  | 30 | PRC | 58291564 | May 21, 2022 | May 20, 2032 | Star Plus (Kunshan) |
|  | 5, 21, 3 | PRC | 46241849, 46241894, 46224936 | February 14, 2021 | February 13, 2031 | Star Plus Development |
|  | 11 | PRC | 58915525 | March 7, 2022 | March 6, 2032 | Star Plus Development |
|  | 29 | PRC | 45827497 | April 14, 2022 | April 13, 2032 | Star Plus Development |
|  | 29 | PRC | 60086244 | April 14, 2022 | April 13, 2032 | Star Plus Development |
|  | 21 | PRC | 60651692 | May 7, 2022 | May 6, 2032 | Star Plus Development |
|  | 14 | PRC | 49027883 | March 14, 2022 | March 13, 2032 | Star Plus Development |
|  | 5 | PRC | 57100850 | March 28, 2022 | March 27, 2032 | Star Plus Development |
|  | 29 | PRC | 48284920 | April 14, 2022 | April 13, 2032 | Star Plus Development |
|  | 9 | PRC | 60015248 | April 21, 2022 | April 20, 2032 | Star Plus Development |
|  | 21 | PRC | 59765213 | March 28, 2022 | March 27, 2032 | Star Plus Development and JVR Music |
|  | 29 | PRC | 60441487 | April 28, 2022 | April 27, 2032 | Star Plus Development and JVR Music |
|  | 30 | PRC | 57613493 | April 21, 2022 | April 20, 2032 | Star Plus Development |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|----------------------|-----------------------|--|----------------------|--------------------|-------------------------------------|
|  | 10 | PRC | 57625041 | April 28, 2022 | April 27, 2032 | Star Plus Development |
|  | 3, 9, 16, 29, 32, 41 | PRC | 60205952, 60217605, 60210834, 60197814, 60215362, 60191916 | April 28, 2022 | April 27, 2032 | Star Plus Development |
|  | 35 | PRC | 60187847 | May 7, 2022 | May 6, 2032 | Star Plus Development |
|  | 30 | PRC | 60191905 | May 14, 2022 | May 13, 2032 | Star Plus Development |
| 茶姐  | 43 | PRC | 49035752 | May 7, 2022 | May 6, 2032 | Star Plus Development |
|  | 29 | PRC | 60441472 | May 7, 2022 | May 6, 2032 | Star Plus Development and JVR Music |
| 巨星优选 | 3 | PRC | 60621181 | May 21, 2022 | May 20, 2032 | Star Plus Development |
|  | 29, 30, 32 | PRC | 61006341, 61021234, 61048987 | May 28, 2022 | May 27, 2032 | Star Plus Development and JVR Music |
| STAR PLUS LEGEND HOLDINGS | 9 | PRC | 49020225 | September 7, 2022 | September 6, 2032 | Star Plus Development |
| 茶姐  | 30 | PRC | 53655579 | October 14, 2022 | October 13, 2032 | Star Plus Development |
| Coach Liu | 44 | PRC | 63049060 | September 7, 2022 | September 6, 2032 | Talent Planet |
| 爱吃鲜摩人 | 3, 5 | PRC | 63427471, 63428041 | September 14, 2022 | September 13, 2032 | Talent Planet |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|--------------------------------|-----------------------|--|----------------------|--------------------|-------------------------------------|
| 爱吃鲜摩人 | 10 | PRC | 63426376 | September 14, 2022 | September 13, 2032 | Star Plus Development |
| 爱吃鲜摩人 | 18, 25, 28, 31, 32, 33, 41, 44 | PRC | 63401368, 63405781, 63410221, 63412669, 63422347, 63409400, 63402611, 63405888 | September 14, 2022 | September 13, 2032 | Talent Planet |
| Jverse | 35 | PRC | 62311228 | September 21, 2022 | September 20, 2032 | Star Plus Development |
| 魔胴 | 29 | PRC | 58020891 | September 28, 2022 | September 27, 2032 | Star Plus Development |
| 魔胴 | 5 | PRC | 62311278 | September 28, 2022 | September 27, 2032 | Star Plus Development |
| Ape Foodies | 30 | PRC | 63648902 | September 28, 2022 | September 27, 2032 | Talent Planet |
| SPLegend | 45 | PRC | 63968080 | October 7, 2022 | October 6, 2032 | Star Plus Development |
| 爱吃鲜摩人 | 29 | PRC | 63410752A | October 14, 2022 | October 13, 2032 | Star Plus Development |
| 爱吃鲜摩人 | 35 | PRC | 63410396A | October 14, 2022 | October 13, 2032 | Star Plus Development |
| MODONG | 30 | PRC | 61426217 | October 14, 2022 | October 13, 2032 | Star Plus Development |
| 魔胴 | 43 | PRC | 64145752 | October 21, 2022 | October 20, 2032 | Star Plus Development |
|  | 25 | PRC | 61173305 | September 14, 2022 | September 13, 2032 | Star Plus Development and JVR Music |

| Trademark | Class | Place of registration | Registration number | Date of registration | Date of expiry | Registered owner |
|---|-------------------------|-----------------------|--|----------------------|--------------------|-------------------------------------|
|  | 25 | PRC | 61175975 | October 7, 2022 | October 6, 2032 | Star Plus Development and JVR Music |
| VIVI CYCLE | 25 | PRC | 53234526 | September 14, 2021 | September 13, 2031 | Talent Planet |
| 刘畊宏 | 25, 3, 5, 9, 10, 12, 18 | PRC | 64222810, 64227489, 64227511, 64233924, 64233933, 64226154, 64244190 | October 14, 2022 | October 13, 2032 | Talent Planet |
| 刘畊宏 | 27 | PRC | 64222053 | October 21, 2022 | October 20, 2032 | Talent Planet |

(ii) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which are material to our business:

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|----------------|-----------------------|---|------------------------|-------------------|--------------------------|
| 周游记 | PRC | GZDZ-2018-L-00515076* (國作登字-2018-L-00515076) | - | March 23, 2018 | Star Plus (Kunshan) |
| 周游记 | PRC | GZDZ-2020-F-00994755* (國作登字-2020-F-00994755) | February 10, 2020 | April 9, 2020 | Star Plus (Kunshan) |
| 巨星E学院 | PRC | GZDZ-2020-F-01157287* (國作登字-2020-F-01157287) | June 4, 2020 | November 5, 2020 | Kunshan Star Plus Action |
| 巨星行动LOGO | PRC | GZDZ-2020-F-01155137* (國作登字-2020-F-01155137) | February 6, 2018 | November 2, 2020 | Kunshan Star Plus Action |
| 哎哟不PANG哦 | PRC | GZDZ-2020-F-01030616* (國作登字-2020-F-01030616) | September 9, 2019 | May 25, 2020 | Kunshan Star Plus Action |
| 喝不PANG奶茶 | PRC | GZDZ-2020-F-01030618* (國作登字-2020-F-01030618) | September 9, 2019 | May 25, 2020 | Kunshan Star Plus Action |

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|--------------------|-----------------------|--|------------------------|----------------------|--|
| 魔胴防弹咖啡 能量包 | PRC | GZDZ-2020-F-00994485* (國作登字-2020-F-00994485) | April 30, 2019 | March 30, 2020 | Kunshan Star Plus Action |
| 魔胴防弹咖啡 周游记版 | PRC | GZDZ-2020-F-00994682* (國作登字-2020-F-00994682) | March 22, 2020 | April 7, 2020 | Kunshan Star Plus Action |
| 魔胴防弹咖啡 | PRC | GZDZ-2020-F-00994684* (國作登字-2020-F-00994684) | April 30, 2019 | April 7, 2020 | Kunshan Star Plus Action |
| 魔胴防弹咖啡 能量包(回忆版) | PRC | GZDZ-2020-F-01039637* (國作登字-2020-F-01039637) | April 5, 2019 | June 19, 2020 | Kunshan Star Plus Action |
| 魔胴防弹咖啡 正面图 | PRC | GZDZ-2021-F-00014938* (國作登字-2021-F-00014938) | March 22, 2020 | January 21, 2021 | Kunshan Star Plus Action |
| 魔胴防弹咖啡 能量包正面图 | PRC | GZDZ-2021-F-00014941* (國作登字-2021-F-00014941) | April 30, 2019 | January 21, 2021 | Kunshan Star Plus Action |
| 周同学 | PRC | GZDZ-2021-F-00014943* (國作登字-2021-F-00014943) | October 2, 2019 | January 21, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品三之插图类 | PRC | GZDZ -2021-F-00261339* (國作登字-2021-F-00261339) | - | November 12, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品三之形象类 | PRC | GZDZ-2021-F-00261337* (國作登字-2021-F-00261337) | December 18, 2020 | November 12, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品三之形象类 | PRC | GZDZ-2021-F-00261338* (國作登字-2021-F-00261338) | December 18, 2020 | November 12, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品三之插图类 | PRC | GZDZ-2021-F-00261336* (國作登字-2021-F-00261336) | December 18, 2020 | November 12, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品四 | PRC | GZDZ-2022-F-10008085* (國作登字-2022-F-10008085) | - | January 13, 2022 | Star Plus Development; JVR Music |

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|---|-----------------------|---|------------------------|----------------------|--|
| 周同学美术系列 作品五 | PRC | GZDZ-2021-F-00264203* (國作登字-2021-F-00264203) | - | November 16, 2021 | Star Plus Development; JVR Music |
| 文山晋阳堂 - 烟花易冷艺术 系列一 | PRC | GZDZ-2022-F-10016310* (國作登字-2022-F-10016310) | September 21, 2021 | January 24, 2022 | Star Plus Development |
| 文山晋阳堂 - 烟花易冷艺术 系列二 | PRC | GZDZ-2022-F-10016311* (國作登字-2022-F-10016311) | - | January 24, 2022 | Star Plus Development |
| 周同学美术系列 作品六 - 王者周 | PRC | GZDZ-2021-F-00294337* (國作登字-2021-F-00294337) | - | December 23, 2021 | Star Plus Development; JVR Music |
| 周同学美术系列 作品七 - 周同学 新年 - 形象类 | PRC | GZDZ-2022-F-10014612* (國作登字-2022-F-10014612) | - | January 20, 2022 | Star Plus Development; JVR Music |
| 周同学美术系列 作品七 - 周同学 新年 - 插图类 | PRC | GZDZ-2022-F-10014611* (國作登字-2022-F-10014611) | - | January 20, 2022 | Star Plus Development; JVR Music |
| 创意人像剪影 | PRC | GZDZ-2022-F-10054997* (國作登字-2022-F-10054997) | April 1, 2017 | March 11, 2022 | Star Plus Development |
| 周同学美术系列 作品 - 系列八 周同学春日 时光机 - 形象类 | PRC | GZDZ-2022-F-10127433* (國作登字-2022-F-10127433) | - | June 28, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 - 系列八 周同学春日 时光机 - 插图类 | PRC | GZDZ-2022-F-10127435* (國作登字-2022-F-10127435) | - | June 28, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 - 系列八 周同学春日 时光机 - 插图类 | PRC | GZDZ-2022-F-10127434* (國作登字-2022-F-10127434) | - | June 28, 2022 | Star Plus Development and JVR Music |

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|---|-----------------------|---|------------------------|-------------------|--|
| 周同学美术系列 作品 – 系列九 周游记2图库 – 插图类 | PRC | GZDZ-2022-F-10108393* (國作登字-2022-F-10108393) | – | May 27, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 组合图类 | PRC | GZDZ-2022-F-10108395* (國作登字-2022-F-10108395) | – | May 27, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 黑白图类 | PRC | GZDZ-2022-F-10108394* (國作登字-2022-F-10108394) | – | May 27, 2022 | Star Plus Development and JVR Music |
| 摩登原食人 IP-Bonggie系列 之抹茶粉 | PRC | GZDZ-2022-F-10112068* (國作登字-2022-F-10112068) | – | June 6, 2022 | Talent Planet (HK) Limited |
| 摩肌博士系列 – 莫飞博士系列 图库1 | PRC | GZDZ-2022-F-10122384* (國作登字-2022-F-10122384) | – | June 16, 2022 | Star Plus Development |
| 摩肌博士系列 – 莫飞博士系列 图库1 | PRC | GZDZ-2022-F-10122385* (國作登字-2022-F-10122385) | – | June 16, 2022 | Star Plus Development |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125718* (國作登字-2022-F-10125718) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125713* (國作登字-2022-F-10125713) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125719* (國作登字-2022-F-10125719) | – | June 22, 2022 | Star Plus Development and JVR Music |

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|--|-----------------------|---|------------------------|-----------------------|--|
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125717* (国作登字-2022-F-10125717) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125714* (國作登字-2022-F-10125714) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125715* (國作登字-2022-F-10125715) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品 – 系列九 周游记2图库 – 形象类 | PRC | GZDZ-2022-F-10125716* (國作登字-2022-F-10125716) | – | June 22, 2022 | Star Plus Development and JVR Music |
| 原始人形象 | PRC | GZDZ-2022-F-10206966* (國作登字-2022-F-10206966) | – | September 29, 2022 | Talent Planet |
| 爱吃鲜摩人 人物形象 | PRC | GZDZ-2022-F-10164907* (國作登字-2022-F-10164907) | – | August 12, 2022 | Talent Planet |
| 周同学美术系列 作品十三 – 蒸汽周 | PRC | GZDZ-2022-F-10210108* (國作登字-2022-F-10210108) | – | October 10, 2022 | Star Plus Development and JVR Music |
| CHOUCHOU | PRC | GZDZ-2022-F-10210107* (國作登字-2022-F-10210107) | – | October 10, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品十二 – 药师周 3D | PRC | GZDZ-2022-F-10204155* (國作登字-2022-F-10204155) | – | September 27, 2022 | Star Plus Development and JVR Music |

| Copyright name | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|--------------------------------|-----------------------|---|------------------------|-----------------------|--|
| 周同学美术系列 作品十二 – 药师周 2D | PRC | GZDZ-2022-F-10204157* (國作登字-2022-F-10204157) | – | September 27, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品-系列十一 – 古典钢琴周 | PRC | GZDZ-2022-F-10164908* (國作登字-2022-F-10164908) | – | August 12, 2022 | Star Plus Development and JVR Music |
| 周同学美术系列 作品六-王者周 插图 | PRC | GZDZ-2022-F-10204156* (國作登字-2022-F-10204156) | – | September 27, 2022 | Star Plus Development and JVR Music |
| 爱吃鲜摩人 | PRC | GZDZ-2022-F-10213060* (國作登字-2022-F-10213060) | July 1, 2022 | October 24, 2022 | Talent Planet |
| 刘畊宏男孩女孩 美术作品-2D系 列-运动健身一 | PRC | GZDZ-2022-F-10226365* (國作登字-2022-F-10226365) | – | November 3, 2022 | Talent Planet |
| 刘教练美术作品 -2D系列-运动 健身一 | PRC | GZDZ-2022-F-10226363* (國作登字-2022-F-10226363) | – | November 3, 2022 | Talent Planet |
| VIVI美术作品- 2D 系列-运动 健身一 | PRC | GZDZ-2022-F-10226364* (國作登字-2022-F-10226364) | – | November 3, 2022 | Talent Planet |
| 周同学美术系列 作品十四-足球 系列 | PRC | GZDZ-2022-F-10231235* (國作登字-2022-F-10231235) | – | November 8, 2022 | Star Plus Development and JVR Music |
| 魔胴轻萃咖啡产品 包装 | PRC | GZDZ-2022-F-10236923* (國作登字-2022-F-10236923) | May 20, 2022 | November 11, 2022 | Star Plus Development |

(iii) Software Copyrights

As of the Latest Practicable Date, our Group was the registered owner of the following software copyrights:

| <u>Software copyright</u> | <u>Place of registration</u> | <u>Registration number</u> | <u>First publication date</u> | <u>Registration date</u> | <u>Registered owner</u> |
|---------------------------|------------------------------|----------------------------|-------------------------------|--------------------------|-----------------------------|
| 魔胴健康软件 V1.0.0 | PRC | 2020SR1110558 | August 30, 2020 | September 16, 2020 | Kunshan Star Plus Action |
| 巨星行动茶小姐 渠道系统V1.0 | PRC | 2021SR0730981 | - | May 20, 2021 | Kunshan Star Plus Action |
| 巨星行动活动报名 系统V1.0 | PRC | 2021SR0727636 | - | May 20, 2021 | Kunshan Star Plus Action |
| 巨星行动素材 资料库系统V1.0 | PRC | 2021SR0727626 | - | May 20, 2021 | Kunshan Star Plus Action |
| 巨星行动魔胴咖啡 渠道系统V1.0 | PRC | 2021SR0724109 | - | May 20, 2021 | Kunshan Star Plus Action |
| 巨星行动摩肌博士 渠道系统V1.0 | PRC | 2021SR0722332 | - | May 19, 2021 | Kunshan Star Plus Action |
| 巨星行动商学院 系统V1.0 | PRC | 2021SR0721652 | - | May 19, 2021 | Kunshan Star Plus Action |
| 巨星行动电子商城 系统V1.0 | PRC | 2021SR0714816 | - | May 19, 2021 | Kunshan Star Plus Action |
| 巨星行动超频 美雕仪系统V1.0 | PRC | 2021SR0719972 | - | May 19, 2021 | Kunshan Star Plus Action |
| 巨星优选软件 V1.0.0 | PRC | 2021SR0686007 | - | May 13, 2021 | Kunshan Star Plus Action |
| 巨星优选后台管理 系统V1.0.0 | PRC | 2021SR0596924 | - | April 26, 2021 | Kunshan Star Plus Action |
| 巨星推荐系统 V1.0.0 | PRC | 2021SR0591492 | - | April 25, 2021 | Kunshan Star Plus Action |

| Software copyright | Place of registration | Registration number | First publication date | Registration date | Registered owner |
|--------------------|-----------------------|---------------------|------------------------|-------------------|--------------------------|
| 魔胴轻体赛管理系统V1.0.0 | PRC | 2021SR0591500 | - | April 25, 2021 | Kunshan Star Plus Action |
| 魔胴考核系统V1.0.0 | PRC | 2021SR0587472 | - | April 23, 2021 | Kunshan Star Plus Action |
| 魔胴排位赛系统V1.0.0 | PRC | 2021SR0573537 | - | April 22, 2021 | Kunshan Star Plus Action |
| 巨星星圈系统V1.0.0 | PRC | 2021SR0573603 | - | April 22, 2021 | Kunshan Star Plus Action |
| 魔胴素材系统V1.0.0 | PRC | 2021SR0570871 | - | April 21, 2021 | Kunshan Star Plus Action |
| 魔胴打卡系统V1.0.0 | PRC | 2021SR0566091 | - | April 21, 2021 | Kunshan Star Plus Action |
| 摩肌博士打卡系统V1.0.0 | PRC | 2021SR0566092 | - | April 21, 2021 | Kunshan Star Plus Action |
| 巨星商学院系统V1.0.0 | PRC | 2021SR0564485 | - | April 21, 2021 | Kunshan Star Plus Action |
| 巨星优选商户系统V1.0.0 | PRC | 2021SR0570822 | - | April 21, 2021 | Kunshan Star Plus Action |
| 魔胴体脂秤系统V1.0.0 | PRC | 2021SR0560781 | - | April 20, 2021 | Kunshan Star Plus Action |
| 巨星商品管理系统V1.0.0 | PRC | 2021SR0560543 | February 20, 2020 | April 20, 2021 | Kunshan Star Plus Action |
| 魔胴轻体师管理系统V1.0.0 | PRC | 2021SR0559736 | - | April 20, 2021 | Kunshan Star Plus Action |
| 巨星优选星友系统V1.0.0 | PRC | 2021SR0551265 | - | April 19, 2021 | Kunshan Star Plus Action |
| 摩肌博士社区管理系统V1.0.0 | PRC | 2021SR0551795 | - | April 19, 2021 | Kunshan Star Plus Action |

| <u>Software copyright</u> | <u>Place of registration</u> | <u>Registration number</u> | <u>First publication date</u> | <u>Registration date</u> | <u>Registered owner</u> |
|---------------------------|------------------------------|----------------------------|-------------------------------|--------------------------|--------------------------|
| 摩肌博士活动管理系统V1.0.0 | PRC | 2021SR0556231 | - | April 19, 2021 | Kunshan Star Plus Action |
| 巨星热卖系统V1.0.0 | PRC | 2021SR0542694 | February 20, 2020 | April 15, 2021 | Kunshan Star Plus Action |
| 魔胴健康管理系统V1.0.0 | PRC | 2021SR0542209 | - | April 15, 2021 | Kunshan Star Plus Action |
| 摩肌博士体验系统V1.0.0 | PRC | 2021SR0542830 | - | April 15, 2021 | Kunshan Star Plus Action |

(iv) Domain names

As of the Latest Practicable Date, our Group had registered the following domain names which were material to our business:

| <u>Domain name</u> | <u>Registered owner</u> | <u>Date of expiry</u> |
|---------------------|--------------------------|-----------------------|
| starpluslegend.cn | Star Plus (Kunshan) | April 23, 2024 |
| starplusholdings.cn | Star Plus (Kunshan) | January 28, 2024 |
| jstarplus.cn | Star Plus (Kunshan) | January 28, 2024 |
| splegend.cn | Kunshan Star Plus Action | December 17, 2023 |
| splegend.net.cn | Kunshan Star Plus Action | December 17, 2023 |
| splegend.com.cn | Kunshan Star Plus Action | December 17, 2023 |
| star-action.cn | Kunshan Star Plus Action | January 28, 2024 |
| j-xcyx.cn | Kunshan Star Plus Action | July 27, 2024 |
| j-jxxd.cn | Kunshan Star Plus Action | July 21, 2024 |

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests of the Directors and chief executive of our Company*

Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes), the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Interests in our Company*

| Name of Director | Nature of interest | Shares held immediately following the completion of the Capitalization Issue and the Global Offering | |
|----------------------------|--|--|------------|
| | | Number | Percentage |
| Ms. Ma ⁽³⁾ | Interest in a controlled corporation/interest of party acting in concert | 465,038,126 (L) | 58.1% |
| Mr. Yang ⁽³⁾⁽⁴⁾ | Interest in a controlled corporation/interest of party acting in concert | 465,038,126 (L) | 58.1% |
| Mr. Chen ⁽³⁾ | Interest in a controlled corporation/interest of party acting in concert | 465,038,126 (L) | 58.1% |
| Mr. Lai | Beneficial interest | 99,651,027 (L) | 12.5% |
| Dr. Qian ⁽⁵⁾ | Beneficial interest/interest of spouse | 23,171,845 (L) | 2.9% |

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes).
- (3) Pursuant to the Concert Party Agreement, Ms. Ma, Mr. Yang, Ms. Yeh, and Mr. Chen have agreed, among other things, that they shall act in concert in respect of their voting rights and actively cooperate to consolidate control over voting rights of our Company. Accordingly, Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen are parties acting in concert (having the meaning ascribed to it under the Takeovers Codes); and each of Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen is deemed to be interested in all the Shares in which each of them is interested under the SFO. For further details, please refer to the paragraph headed “Relationship with our Controlling Shareholders – Concert Party Agreement” in this prospectus.
- (4) Mr. Yang holds 50% shares of Legend Key, which in turn directly holds 199,302,054 of our Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes). As such, Mr. Yang is deemed to be interested in all the Shares held by Legend Key under the SFO.
- (5) Dr. Qian is the spouse of Ms. Zhang, who is interested in 13,206,742 of our Shares immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes). As such, Dr. Qian is deemed to be interested in all the Shares in which Ms. Zhang is interested under the SFO.

(ii) Interests in our associated corporations

| <u>Name of Director</u> | <u>Name of our associated corporation</u> | <u>Nature of interest</u> | <u>Interest in our associated corporation</u> | |
|-------------------------|---|---------------------------|---|-------------------|
| | | | <i>Number</i> | <i>Percentage</i> |
| Ms. Ma | Harmony Culture | Beneficial interest | 1 | 100% |
| Mr. Yang | Legend Key | Beneficial interest | 500,000 | 50% |
| Mr. Chen | Max One | Beneficial interest | 2,000,000 | 100% |

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Share Option Schemes), our Directors are not aware of any other person (other than a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

(c) Interests of Substantial Shareholders in our members of our Group

As of the Latest Practicable Date, so far as is known to our Directors, the following persons were interested in 10% or more of the issued voting shares of members of our Group (other than our Company):

| <u>Name of shareholder</u> | <u>Nature of interest</u> | <u>Name of our Group company</u> | <u>Percentage of shareholding</u> |
|--|--------------------------------------|----------------------------------|-----------------------------------|
| Sapphire Prismatic Limited | Beneficial interest | Secret Music (HK) | 50% |
| Chan Yu-hao ⁽¹⁾ | Interest in a controlled corporation | Secret Music (HK) | 50% |
| Beijing Master | Beneficial interest | Beijing Star Plus Master | 30% |
| Tianjin Baihong Movie Production Centre (Limited Partnership) (天津百鴻影視製作中心有限合夥) (“ Tianjin Baihong ”) ⁽²⁾ | Interest in a controlled corporation | Beijing Star Plus Master | 30% |
| Shenzhen Master Cultural Media Company Limited (深圳精湛文創文化傳媒有限公司) (“ Shenzhen Master ”) ⁽²⁾ | Interest in a controlled corporation | Beijing Star Plus Master | 30% |
| Zhang, Shuming (張書明) ⁽²⁾ | Interest in a controlled corporation | Beijing Star Plus Master | 30% |
| W&V ⁽³⁾ | Beneficial interest | Talent Planet | 30% |
| MENG Ching-Jung | Interest in a controlled corporation | Talent Planet | 30% |

Notes:

- (1) Sapphire Prismatic Limited is beneficially and wholly owned by Chan, Yu-hao. As such, Chan, Yu-hao is deemed to be interest in the shares of Secret Music (HK) held by Sapphire Prismatic under the SFO.
- (2) To the knowledge of our Company, Tianjin Baihong and Zhang, Shu Ming is interested in 76% and 24% of the equity interest in Beijing Master, respectively. The general partner of Tianjin Baihong is Shenzhen Master, which is beneficially and wholly owned by Zhang, Shuming. Shenzhen Master and Zhang, Shuming contributed approximately 66% and 30% of the capital of Tianjin Baihong, respectively. As such, each of Tianjin Baihong, Shenzhen Master and Zhang, Shuming is deemed to be interested in the equity interest of Beijing Star Plus Master held by Beijing Master under the SFO.
- (3) W&V is beneficially and owned as to 95% by MENG Ching-Jung. As such, MENG Ching-Jung is deemed to be interest in the shares of Talent Planet held by W&V under the SFO.

2. Directors' service contracts

Each of our executive Directors and non-executive Directors has entered into a service contract with our Company on April 18, 2023, and we signed letters of appointment with each of our independent non-executive Directors. The service contracts with each of our executive Directors and non-executive Directors are for an initial fixed term of three years commencing from April 18, 2023. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate remuneration (including salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance and share-based compensation) paid to the Directors for each of the four years ended December 31, 2022 were nil, RMB0.4 million, RMB4.8 million and RMB4.5 million, respectively. Save as disclosed above, no other payments had been made or were payable by any of member of our Group to any of our Directors for each of the four years ended December 31, 2022.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director's fee of HK\$240,000 per annum to each of the independent non-executive Directors, respectively. Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding share-based payments and discretionary bonuses, payable to our Directors for the year ending December 31, 2023 is estimated to approximately RMB3.6 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

For further details of the terms of the above service contracts, please refer to the paragraph headed “– C. Further information about our Directors and Substantial Shareholders – 2. Directors’ service contracts” in this Appendix.

4. Directors’ Competing Interests

Save as disclosed in the sections headed “Directors and Senior Management” and “Relationship with our Controlling Shareholders” in this prospectus, none of our Directors are interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimer

Save as disclosed the section headed “Substantial Shareholders” in this prospectus and “Further information about our Directors and substantial Shareholders” in this appendix in this prospectus:

- (i) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (ii) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group;

- (iii) none of the Directors nor any of the persons listed in the paragraph headed “– E. Other information – 5. Qualification of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iv) none of the Directors nor any of the persons listed in the paragraph headed “– E. Other information – 5. Qualification of experts” in this Appendix is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (v) save in connection with Underwriting Agreements, none of the persons listed in the paragraph headed “– E. Other information – 5. Qualification of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (vi) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (vii) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s top five customers and top five suppliers.

D. SHARE OPTION SCHEMES

1. Pre-IPO Stock Incentive Plan

Pursuant to the resolution passed by our Shareholders on August 3, 2020, we approved and adopted the rules of the Pre-IPO Stock Incentive Plan. The terms of the Pre-IPO Stock Incentive Plan are not subject to the provisions of Chapter 17 of Listing Rules as it does not involve the grant of options or share awards by our Company after the Listing. The principal terms of the Pre-IPO Stock Incentive Plan are as follows:

(i) *Purpose*

To attract and retain the best available personnel, to provide additional incentives to Eligible Persons and to promote the success of our Company’s business.

(ii) Who may participate

Awards (as defined below) under the Pre-IPO Stock Incentive Plan may be granted to those persons that the Administrator (as defined below) determines to be Eligible Persons. An “**Eligible Person**” means:

- (a) any person, including a director, who is in the employment of the Company or any Related Entity (as defined in the Pre-IPO Stock Incentive Plan), subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance;
- (b) a member of the Board or the board of directors of any Related Entity; or
- (c) any person (other than those mentioned above, solely with respect to rendering services in such person’s capacity as an employee or director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity (“**service provider**”).

Subject to the provisions of the Pre-IPO Stock Incentive Plan, the Administrator may, from time to time, select from among all Eligible Persons to whom Awards in the form of, among other things, options, share appreciation rights, dividend equivalent rights, restricted shares, restricted share units (collectively, “**Awards**”) shall be granted and shall determine the nature and amount of each Award.

An Award may consist of one or more such security or benefit. No Awards had been granted to directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company, or service providers.

(iii) Maximum number of Shares in respect of which Awards may be granted

25,000,000 Shares, subject to any adjustment pursuant to the provisions of the Pre-IPO Stock Incentive Plan.

(iv) Administration

The Pre-IPO Stock Incentive Plan is administered by the Administrator, who may authorize one or more officers or directors to grant such Awards and may limit such authority as the Administrator determines from time to time. The “**Administrator**” means the Director designated by the Board to administer the Pre-IPO Stock Incentive Plan.

Subject to applicable laws and the provisions of the Pre-IPO Stock Incentive Plan, and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

- (a) to select the Eligible Persons to whom Awards may be granted from time to time thereunder;
 - (b) to determine whether and to what extent Awards are granted thereunder;
 - (c) to determine the type or the number of Awards to be granted, the number of Shares or the amount of consideration to be covered by each Award granted thereunder;
 - (d) to approve forms of Award Agreements (as defined below) for use under the Pre-IPO Stock Incentive Plan, to amend terms of the Award Agreements;
 - (e) to determine or alter the terms and conditions of any Award granted thereunder (including without limitation the vesting schedule and exercise price set out in the notice of stock option award and the Award Agreements);
 - (f) to amend the terms of any outstanding Award granted under the Pre-IPO Stock Incentive Plan, provided that any amendment that would adversely affect the grantee's rights under an outstanding Award in material aspects shall not be made without the grantee's written consent;
 - (g) to construe and interpret the terms of the Pre-IPO Stock Incentive Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Pre-IPO Stock Incentive Plan;
 - (h) to require the grantee to provide representation or evidence that any currency used to pay the exercise price of any Award was legally acquired and taken out of the jurisdiction in which the grantee resides in accordance with the applicable laws; and
 - (i) to take such other action, not inconsistent with the terms of the Pre-IPO Stock Incentive Plan and the applicable laws, as the Administrator deems appropriate.
- (v) ***Grant of Awards***
- (a) The Administrator is authorized to award any type of arrangement to an Eligible Person that is not inconsistent with the provisions of the Pre-IPO Stock Incentive Plan and that by its terms involves or might involve the issuance of (a) Shares, (b) cash or (c) options, share appreciation rights, or

similar rights with a fixed or variable price related to the Fair Market Value (as defined in the Pre-IPO Stock Incentive Plan) of the Shares and with exercise or conversion privileges related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions.

- (b) The Administrator may issue Awards under the Pre-IPO Stock Incentive Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, share purchase, asset purchase or other form of transaction.
- (c) Each Award shall be designated in an award agreement (“**Award Agreement**”). Subject to the terms of the Pre-IPO Stock Incentive Plan, the Administrator shall determine the provisions, terms, and conditions of each Award. Each Award shall be subject to the terms of an Award Agreement approved by the Administrator.

(vi) Term of Awards

The term of each Award shall be the term stated in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Grantee has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

(vii) Exercise or Purchase Price

The exercise or purchase price, if any, for an Award shall be determined by the Administrator; provided (a) in the case of options or share appreciation rights granted to U.S. taxpayers, shall not be less than 100% of the Fair Market Value of a Share as of the date of grant; and (b) in the case of an Incentive Stock Option granted to an U.S. taxpayer, who, at the time the Incentive Stock Option is granted, owns (or, pursuant to Section 424(d) of the U.S. Code, is deemed to own) Shares representing more than 10% of the total combined voting power of all classes of shares of the Company or any Subsidiary (as defined in the pre-IPO Stock Incentive Plan) or Affiliate (as defined in the pre-IPO Stock Incentive Plan), the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing, in the case of an Award issued pursuant to the paragraph (v)(b) above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(viii) Method of payment

Subject to applicable laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Pre-IPO Stock Incentive Plan the following:

- (a) cash;
- (b) check;
- (c) if the exercise or purchase occurs on or after the Registration Date (as defined in the pre-IPO Stock Incentive Plan), or as otherwise permitted by the Administrator, surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised;
- (d) with respect to options, if the exercise occurs on or after the Registration Date, payment through a broker-dealer sale and remittance procedure pursuant to which the grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares; and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction; or
- (e) any combination of the foregoing methods of payment.

The Administrator may at any time or from time to time, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

- (a) No Shares shall be delivered under the Pre-IPO Stock Incentive Plan to any grantee or other person until such grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any income and employment tax withholding obligations under any applicable laws. The grantee shall be responsible for all taxes associated with the receipt, vest, exercise, transfer and disposal of the Awards and the Shares. Upon exercise of an Award, the Company and/or the Related Entity which is an employer of the grantee shall have the right to withhold or collect from grantee an amount sufficient to satisfy such tax obligations.

(ix) Exercise

- (a) Any Award granted thereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Pre-IPO Stock Incentive Plan and specified in the Award Agreement. An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the Eligible Person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised, including, use of the broker-dealer sale and remittance procedure to pay the purchase price.
- (b) An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a grantee's continuous service only to the extent provided in the Award Agreement. Where the Award Agreement permits a grantee to exercise an Award following the termination of the grantee's continuous service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.
- (c) Notwithstanding the foregoing, the Award shall not be exercised if the Administrator (in its sole discretion) determines that an exercise would violate any applicable laws.
- (d) Notwithstanding the foregoing, the Administrator may determine that the Award shall not be exercised before the consummation of (i) an IPO of the Company; or (ii) a Corporate Transaction (as defined in the Pre-IPO Stock Incentive Plan) or a Change in Control (as defined in the Pre-IPO Stock Incentive Plan), except as permitted by the applicable Award Agreement.

The options shall vest in four (4) years. The options representing 25% of the Shares shall vest on the first anniversary of the vesting commencement date, with remaining portions vesting in equal annual installments over next three (3) years.

(x) Transferability of Awards

Subject to the applicable laws, Awards shall be transferable (i) by will and by the laws of descent and distribution; and (ii) during the lifetime of the grantee, only to the extent and in the manner approved by the Administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee's Award in the event of the grantee's death on a beneficiary designation form provided by the Administrator.

(xi) Company's Repurchase Right

Upon termination of the grantee's continuous service for any reason, all unvested Awards shall be terminated immediately without further effect. To the extent any vested Award is not terminated, following termination of the grantee's continuous service for any reason, the Company shall have the right (but not the obligation) to repurchase (the "**Repurchase Right**") from the grantee all or any portion of the vested Awards or the Shares obtained by the grantee upon exercise of any Awards. The Repurchase Right may be exercised by the Company at any time within two years after termination of the grantee's continuous service.

(xii) Adjustments

Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the Pre-IPO Stock Incentive Plan but as to which no Awards have yet been granted or which have been returned to the Pre-IPO Stock Incentive Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any grantee in any fiscal year of the Company, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (a) any increase or decrease in the number of issued Shares resulting from a share split, reverse share split, share dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares; (b) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; or (c) as the Administrator may determine in its discretion, any other transaction with respect to the Shares including a corporate merger, consolidation, acquisition of property or equity, separation (including a spin-off or other distribution of shares or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive. Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award. In the event of a spin-off transaction, the Administrator may in its discretion make such adjustments and take such other action as it deems appropriate with respect to outstanding Awards under the Pre-IPO Stock Incentive Plan, including but not limited to: (a) adjustments to the number and kind of Shares, the exercise or purchase price per Share and the vesting periods of outstanding Awards; (b) prohibit the exercise of Awards during certain periods of time prior to the consummation of the spin-off transaction; or (c) the substitution, exchange or grant of Awards to purchase securities of the Subsidiary (as defined in the Pre-IPO Stock Incentive Plan); provided that the Administrator shall not be obligated to make any such adjustments or take any such action thereunder.

(xiii) Acceleration

- (a) Except as provided otherwise in any written agreement between the Company and a grantee, in the event of a Corporate Transaction (other than a Corporate Transaction which also is a Change in Control), each Award can be assumed or replaced immediately prior to the specified effective date of such Corporate Transaction, for the portion of each Award that is neither assumed nor replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the grantee's continuous service has not terminated prior to such date. The portion of the Award that is not assumed or replaced shall terminate under sub-paragraph (c) below to the extent not exercised prior to the consummation of such Corporate Transaction.
- (b) Except as provided otherwise in any written agreement between the Company and a grantee, in the event of a Change in Control (other than a Change in Control which also is a Corporate Transaction), each Award which is at the time outstanding under the Pre-IPO Stock Incentive Plan shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares at the time represented by such Award, immediately prior to the specified effective date of such Change in Control, provided that the grantee's continuous service has not terminated prior to such date.
- (c) Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Pre-IPO Stock Incentive Plan shall terminate, provided however that, all such Awards shall not terminate to the extent they are assumed or replaced in connection with the Corporate Transaction.
- (d) Except as provided otherwise in any written agreement between the Company and a grantee, and subject to applicable laws, in the event of a Corporate Transaction or a Change in Control, the Administrator may provide for other mechanisms, such as (1) termination and payment of any Awards in cash based on the value of the Shares on the date of the Corporate Transaction or the Change in Control (as the case may be); or (2) allowing any grantee the right to exercise any outstanding Awards during a specified period of time determined by the Administrator.

(xiv) Duration

The Pre-IPO Stock Incentive Plan shall continue in effect for a term of ten (10) years after the date of adoption by the Board, unless sooner terminated. Subject to applicable laws, Awards may be granted under the Pre-IPO Stock Incentive Plan upon its becoming effective.

(xv) Amendment, suspension or termination

The Board may at any time amend (including extend the term of the Pre-IPO Stock Incentive Plan), suspend or terminate the Pre-IPO Stock Incentive Plan; provided, however, that no such amendment, suspension or termination shall be made without the approval of the Company's shareholders to the extent such approval is required by applicable laws (including the Listing Rules) or if such amendment would change any of the Administrator's authority.

No Award may be granted during any suspension of the Pre-IPO Stock Incentive Plan or after termination of the Pre-IPO Stock Incentive Plan. Unless otherwise determined by the Administrator in good faith, the suspension or termination of the Pre-IPO Stock Incentive Plan (including termination of the Pre-IPO Stock Incentive Plan under paragraph (j) above) shall not materially adversely affect any rights under Awards already granted to a grantee.

(xvi) Outstanding share options granted

As of the Latest Practicable Date, an aggregate of 25,000,000 Shares (to be adjusted to 33,217,009 Shares upon the Capitalization Issue), representing 4.2% of the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Over-allotment Option and the Post-IPO Share Option Scheme) were granted to 34 grantees under the Pre-IPO Stock Incentive Plan. Each grantee is required to pay HK\$1.90 per Share (to be adjusted to HK\$1.43 per Share after the Capitalization Issue) as consideration for the acceptance of the grant of the Pre-IPO Stock Incentive Plan. Our Company will not grant further options under the Pre-IPO Stock Incentive Plan after the Listing.

The table below sets out the details of the outstanding options which were granted under the Pre-IPO Stock Incentive Plan as of the Latest Practicable Date:

| Grantee | Position(s) held in the Group | Address | Date of Grant | Number of Shares subject to the options (as adjusted after the Capitalization Issue) | Exercise Price HK\$ (as adjusted after the Capitalization Issue) | Underlying Shares of outstanding and unexercised options as a percentage of issued Shares following completion of the Global Offering ⁽¹⁾ |
|------------------|---|---|----------------|--|--|--|
| Ms. Ma | Executive Director and Chairperson of the Board | 2/F No. 48, Lane 939 Zhonghua 5th Road Kaohsiung Taiwan | August 3, 2020 | 6,640,004 | 1.43 | 0.83% |
| Zhou, Peimin | Chief operating officer | Room 701, No. 32 Lane 650 Liuying Road Shanghai | August 3, 2020 | 6,640,005 | 1.43 | 0.83% |
| Jiang, Xiuhong | Operation director | Flat A, 8/F, Cheong Lee Building 443-445 Castle Peak Road Shamshuipo, Kowloon Hong Kong | August 3, 2020 | 2,657,500 | 1.43 | 0.33% |
| Wang, Ying | Financial director | No. 45, Building 23 North Bajiao Road Shijingshan District, Beijing | August 3, 2020 | 1,661,000 | 1.43 | 0.21% |
| Wang Siqiong | Compliance director | Unit 401, No. 3 700 Xianxiaxilu Changning District Shanghai | August 3, 2020 | 1,661,000 | 1.43 | 0.21% |
| Chang, Chih-Peng | Chief program officer | 1807, 71 Floor Balizhuangxili Zhaoyang District Beijing | August 3, 2020 | 1,329,000 | 1.43 | 0.17% |
| Xu, Jing | Design director | Unit 401 Yiyuan Building No. 132 Donghuan Road Panyu District Guangzhou | August 3, 2020 | 1,329,000 | 1.43 | 0.17% |
| Zhang, Yusheng | Vice president of social e-commerce | Unit 601 Building 1 No. 6 Nanfang 1st Cross Road Chikan District Zhanjiang City Guangdong | August 3, 2020 | 1,329,000 | 1.43 | 0.17% |
| Li, Yinfeng | Director of system development | Room 802, No. 11 Junjie Street Tianhe District, Guangzhou Guangdong Province | August 3, 2020 | 1,329,000 | 1.43 | 0.17% |
| Lu, Fang | Senior product development manager | Room 2407, Building 2, No. 1988 Tongda Road, Guoxiang Street, Wuzhong District, Suzhou, Jiangsu Province | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Li, Chundan | Training manager | No. 80, He Dong Village, Chang'an, Liangguang Town, Huazhou, Guangdong Province | August 3, 2020 | 664,500 | 1.43 | 0.08% |

| Grantee | Position(s) held in the Group | Address | Date of Grant | Number of Shares subject to the options (as adjusted after the Capitalization Issue) | Exercise Price HK\$ (as adjusted after the Capitalization Issue) | Underlying Shares of outstanding and unexercised options as a percentage of issued Shares following completion of the Global Offering ⁽¹⁾ |
|----------------|--|--|----------------|--|--|--|
| Zhang, Weihui | Marketing manager | No.71, Hantian Village, Da'an Town, Lufeng, Guangdong Province | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Chen, Wanchun | Logistics and warehousing manager | No. 2, Block 8, Gaolouyuan, Hong'er Village, Yanhong Town, Chenghai District, Shantou | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Hsu, Yi-Ching | Program supervisor | 3rd Floor, No. 6, Alley 11 Lane 147, Jinghua Street 20 Xingfu Li, Wenshan District Taipei City | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Lee, Ying-Sung | Post-production supervisor | No. 235, Zhongshan Road 15 Jinmeili, Jinshan District New Taipei City | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Wang, Lei | Operation and maintenance supervisor | Unit 2104 No. 63 Jiangnan East Road Haizhu District Guangzhou | August 3, 2020 | 664,500 | 1.43 | 0.08% |
| Qi, Wen | Marketing superintendent | 26-1-17, Jiangwan Road Changyi District, Jilin City Jilin Province | August 3, 2020 | 332,500 | 1.43 | 0.04% |
| Shi, Wenjuan | Internal control specialist | Room 201A, No.1, Lane 730, Zhong Hua Xin Road, Jing'an District, Shanghai | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Yan, Chih-Chi | Rights protection manager | No. 1, 10th Floor, No. 3 Alley 1 Lane 969 Zhonghua 5th Road, 4 Chungchung Lane Qianzhen District, Kaohsiung City | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Li, Shanshan | Assistant to president | No. 1956 Nanerhuan Road, Nanshi District, Baoding, Hebei Province | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Chang, Xiaoyu | Product development director | 3-2-2 28-5 Shenzhou Road Shenhe District Shenyang City Liaoning Province | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Song, Weiwei | Operation and maintenance superintendent | Public Security Bureau Dormitory, Changfeng Community Committee, Shuihu Town, Changfeng County, Anhui Province | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Song, Meng | System development project manager | No. 114, Zhaili Village, Wengjiang Town, Pingjiang County, Hunan Province | August 3, 2020 | 266,000 | 1.43 | 0.03% |

| Grantee | Position(s) held in the Group | Address | Date of Grant | Number of Shares subject to the options (as adjusted after the Capitalization Issue) | Exercise Price HK\$ (as adjusted after the Capitalization Issue) | Underlying Shares of outstanding and unexercised options as a percentage of issued Shares following completion of the Global Offering ⁽¹⁾ |
|-------------------|---|--|----------------|--|--|--|
| Shi, Lingtao | Legal director | Unit 303, 4th Floor Landuolang Apartment Youyi Road Economic and Technological Development Zone Langfang City Hebei Province | August 3, 2020 | 266,000 | 1.43 | 0.03% |
| Guo, Zhijiang | Finance manager | Unit 1607, Building No. 29 199 Lu Di Da Dao Huaqiao Town Kunshan Jiangsu Province | August 3, 2020 | 199,500 | 1.43 | 0.02% |
| Yang, Zixuan | Brand promotion manager | Unit 403, Building No. 16 Shuidian New Village Chun Cheng Town Yangchun City Guangdong | August 3, 2020 | 199,500 | 1.43 | 0.02% |
| Li, Zhongbo | Java development engineer | No. 34, Team 14, State-owned Warrior Farm (國營勇士農場), Xiaqiao Town, Xuwen County, Guangdong Province | August 3, 2020 | 199,500 | 1.43 | 0.02% |
| Chen, Kuan-Yun | Director of cultural products | Room 2505, No.3, Xiangyuducheng (象嶼都城), Jinjie Road, Huaqiao Town | August 3, 2020 | 199,500 | 1.43 | 0.02% |
| Tao, Zhiheng | Investor relations director | Flat C, 10/F, Supernova Stand 28 Mercury Road, North Point, HK | August 3, 2020 | 199,500 | 1.43 | 0.02% |
| Fang, Xialu | Finance customer service superintendent | No. 3-5, Sanzhi Alley, Meisan Gaocheng, Huicheng Town, Huilai County, Guangdong Province | August 3, 2020 | 133,000 | 1.43 | 0.02% |
| Cheung, Shuk Fong | Finance manager | G/F., 17A Shui Tsan Tin Village Pak Heung, Yuen Long New Territories, Hong Kong | August 3, 2020 | 133,000 | 1.43 | 0.02% |
| Chen, Rongjin | Legal counsel | Room 1702, Gate 1, Building 2 Chunxiao Garden, Suti Road Nankai District Tianjin | August 3, 2020 | 133,000 | 1.43 | 0.02% |
| Ni, Houchun | Legal counsel | Room 203, Building 20 Tinglin New Village, Yushan Town Kunshan City Jiangsu Province | August 3, 2020 | 133,000 | 1.43 | 0.02% |

| Grantee | Position(s) held in the Group | Address | Date of Grant | Number of Shares subject to the options (as adjusted after the Capitalization Issue) | Exercise Price HK\$ (as adjusted after the Capitalization Issue) | Underlying Shares of outstanding and unexercised options as a percentage of issued Shares following completion of the Global Offering ⁽¹⁾ |
|----------------|--|---|-------------------|--|--|--|
| Wong, Chun Yin | Director of strategic investment and finance | Room 2505, Lung Wan House Lung Poon Court, Diamond Hill Kowloon, HK | November 16, 2020 | 266,000 | 1.43 | 0.03% |
| Total | | | | 33,217,009 | | 4.2% |

Note:

1. Calculated as the number of Shares subject to the options granted to a grantee and divided by the total number of Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and none of the options granted under the Pre-IPO Stock Incentive Plan are exercised.

Application has been made to the Listing Committee for the listing of and permission to deal in the 33,217,009 Shares (as adjusted after the Capitalization Issue) that may be allotted and issued pursuant to the options granted under the Pre-IPO Stock Incentive Plan.

2. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted by our Shareholders on June 19, 2023 and its implementation is conditional on the Listing.

(i) Purpose

The purpose of the Post-IPO Share Option Scheme is to incentivize and reward an Eligible Person (as defined below) for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(ii) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Post-IPO Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to any of the following classes of participants:

- (i) any director and employee of any member of our Group;
- (ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of our Company; and
- (iii) any person (including an entity) that provides services to us on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of our long term growth (the “**Service Provider(s)**”).

The basis of eligibility of any of the participants shall be determined by the Board from time to time. In assessing the eligibility of any participant, the Board will consider all relevant factors as appropriate, including, among others, (i) work performance; (ii) years of service; and (iii) potential or actual contribution to the business of the Group (if the participant is an employee or a director of any member of our Group), the actual degree of involvement in and/or cooperation with us and length of business relationship with the participant (if the participant is a Service Provider). The basis of eligibility of any of the Service Provider participants to the grant of any options shall be determined by us from time to time on the basis of their contribution to our development and growth, the degree of involvement in and/or cooperation with our Group and length of our business relationship with the Service Provider, and the actual or potential support, advice, efforts and contributions the Service Provider participant has exerted and given towards our success.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-IPO Share Option Scheme.

(iii) Scheme Mandate Limit and the Service Provider Sublimit

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue as of the Listing Date, being 80,000,000 Shares, or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange’s discretion (the “**Scheme Mandate Limit**”). Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme

and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to above, within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to Service Providers shall not exceed 8,000,000 Shares, representing 1% of the total number of Shares in issue on the Listing Date (the “**Service Provider Sublimit**”).

The Service Provider Sublimit was determined with reference to the potential dilution effect arising from grants to Service Providers, the actual or expected improvement of our financial performance is attributable to Service Providers and the time for using the Service Provider in the activities of the Group. Considering the fact that the individual limit under Rule 17.03D(1) of the Listing Rules is also 1%, there is no other share schemes involving grant of new options over our Shares, our hiring practice and organizational structures and that Service Providers have contributed or is expected to contribute to our long-term growth of the Company’s business, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable.

The Board may, with the approval of the Shareholders in general meeting refresh, the Scheme Mandate Limit and the Service Provider Sublimit once every three years provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes (“**Other Schemes**”) of our Company as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. Refreshments of Scheme Mandate Limit (and the Service Provider Sublimit) to be made within a three-year period must be approved by the Shareholders (other than our Controlling Shareholders and their associates, or if there is no Controlling Shareholder, other than the Directors (excluding independent non-executive Directors), and the chief executive of our Company and their respective associates) pursuant to Listing Rule 17.03C(1). The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit and/or the Service Provider Sublimit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Post-IPO Share Option Scheme and any Other Schemes of our Company to the Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial adviser appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company

whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

The Company may grant options under the Post-IPO Share Option Scheme and any Other Schemes of our Company beyond any of the limits as set out above to such extent as may be permitted under the Listing Rules from time to time.

(iv) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Post-IPO Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion.

Any further grant of options to an Eligible Person in excess of this 1% limit or such higher limit as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates abstaining from voting). Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the options to be granted (and options previously granted to such Eligible Person in the 12-month period) and such other information required under the Listing Rules.

The number and terms (including the Option Price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(v) Grant of options to connected persons

Each grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder of our Company, or any of their respective associates, under the Post-IPO Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Post-IPO Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Such grantee, his associates and all core connected persons of our Company must abstain from voting on the resolution to approve such further grant of options. Our Company shall send to the Shareholders a circular containing the information required under the Listing Rules for the purpose of seeking the approval of the Shareholders.

(vi) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the Option Price.

(vii) Option Price

Subject to any adjustment made as described in sub-paragraph (xxi) below, the Option Price shall be such price as determined by the Board and shall not be less than the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the option; and
- (c) the nominal value of the Shares.

(viii) Duration of Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Post-IPO Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(ix) Time of vesting and exercise of options

Any option shall be vested on an Option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an Option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the offer date of the option or such longer period as the Stock Exchange may allow pursuant to a waiver granted at the Stock Exchange's discretion (the "**Option Period**").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an Option-holder before the option can be exercised. Such terms and conditions determined by the Board must not be contrary to the purpose of the Post-IPO Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(x) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to our knowledge until (and including) the trading day after which such inside information has been announced as required under the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(xi) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank *pari passu* in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(xii) Restrictions on transfer

Except for the transmission of an option on the death of an Option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any Option-holder to any other person or entity. If an Option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(xiii) Rights on voluntary resignation

If an Option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion and notified to such Eligible

Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(xiv) Rights on termination of employment

If an Option-holder ceases to be an Eligible Person by reason of (a) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (b) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (c) his employer terminating his contract for serious or gross misconduct, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the Option-holder ceases to be an Eligible Person.

(xv) Rights on death, disability, retirement and transfer

If an Option-holder ceases to be an Eligible Person by reason of:

- (a) his death; or
- (b) his serious illness or injury which in the opinion of the Board renders the Option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the Option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (c) his retirement in accordance with the terms of an Option-holder's contract of employment; or
- (d) his early retirement by agreement with the Option-holder's employer; or
- (e) his employer terminating his contract of employment by reason of redundancy; or
- (f) his employer ceasing to be a member of the Group or an associated company or under the control of our Company; or
- (g) a transfer of the business, or the part of the business, in which the Option-holder works to a person who is neither under the control of our Company nor a member of the Group or associated companies of our Company; or

- (h) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Post-IPO Share Option Scheme to treat an Option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Post-IPO Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the Option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an Option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (h) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of the Group or associated companies of our Company; or
- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of the Group or associated companies of our Company; or
- (c) has disclosed trade secrets or confidential information of any member of the Group or associated companies of our Company; or
- (d) has entered into competition with any member of the Group or associated companies of our Company or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the Option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the Option-holder has been notified of the determination).

(xvi) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of the Group or associated companies of our Company, our Company shall, as soon as practicable thereafter, give notice to the relevant Option-holder who as a result ceases to be an

Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the Option-holder ceases to be an Eligible Person. The Option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of one month of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(xvii) Rights on a general offer

If as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror, the Board will notify every Option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each Option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board's notification to the Option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(xviii) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all Option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each Option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xix) Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all Option-holders and each Option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the Option Price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to

the date of the proposed general meeting, allot, issue and register under the name of the Option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(xx) Lapse of option

An option will lapse on the earlier of:

- (a) the expiry of the option period as determined by the Board; or
- (b) the date when any circumstance referred to in paragraph (xii) above occurs;
or
- (c) the expiry of the time provided for in the applicable rule where any of the circumstances provided in paragraphs (xiii) to (xix) above apply.

(xxi) Effect of alteration to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial adviser appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable.

Any such adjustments shall be made on the basis that an Option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any Option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial adviser appointed by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 17.03(13) of the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange, except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisers mentioned above is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the Option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisers shall be borne by our Company.

(xxii) Cancellation of option

Unless the Option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (a) our Company pays to the Option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial adviser appointed by the Board; or
- (b) the Board offers to grant the Option-holder replacement options (or options under any other share option scheme of any Member of the Group) or makes such arrangements as the Option-holder may agree to compensate him for the loss of the option; or
- (c) the Board makes such arrangements as the Option-holder may agree to compensate him for the cancellation of the option.

Where our Company cancels options granted to a participant and makes a new grant to the same participant, such new grant may only be made under the Post-IPO Share Option Scheme with available Scheme Mandate Limit approved by the Shareholders. The options canceled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

(xxiii) Termination of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Post-IPO Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Post-IPO Share Option Scheme and in such case, no new offers to grant options under the Post-IPO Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (a) continue subject to the Post-IPO Share Option Scheme, or (b) be canceled in accordance with paragraph (xxii).

(xxiv) Amendments to the Post-IPO Share Option Scheme

The Board may amend any of the provisions of the Post-IPO Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any Option-holder at that date), except that any amendments to the terms

and conditions of the Post-IPO Share Option Scheme which are of a material nature or any amendments to the advantage of present or future Option-holders in respect of matters contained in Rule 17.03 of the Listing Rules may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Post-IPO Share Option Scheme.

Any amendments to the terms of options granted to an Option-holder who is a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Post-IPO Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(xxv) Conditions of the Post-IPO Share Option Scheme

The adoption of the Post-IPO Share Option Scheme is conditional on:

- (a) the Listing Committee granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Post-IPO Share Option Scheme; and
- (b) the commencement of the dealings in the Shares on the Stock Exchange.

If the condition above are not satisfied on or before the date following six months after the date the Post-IPO Share Option Scheme was conditionally adopted:

- (a) the Post-IPO Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Post-IPO Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Post-IPO Share Option Scheme or any option.

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Post-IPO Share Option Scheme.

(xxvi) Performance targets

Our Directors shall have absolute discretion to determine the performance targets that must be achieved by a grantee before any options granted under the Post-IPO Share Option Scheme can be exercised.

(xxvii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Post-IPO Share Option Scheme, or, subject to the Stock Exchange granting a waiver, on a case-by-case basis, transfer to vehicle (such as a trust or a private company) for the benefit of the participant and any family members of such participant (for example, for estate planning or tax planning purposes) that would continue to meet the purpose of the Post-IPO Share Option Scheme and comply with the requirements under Chapter 17 of the Listing Rules.

(xxviii) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Post-IPO Share Option Scheme.

Details of the Post-IPO Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders entered into the Deed of Indemnity with and in favor of our Company (for itself and as trustees for its subsidiaries) to provide indemnities in respect of, among other matters, taxation or taxation claims resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject on or before the date when the Global Offering becomes unconditional.

The Deed of Indemnity shall become effective on the Listing Date and shall continue in full force and effect until it is terminated.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the Capitalization Issue and the exercise of the Over-allotment Option), and the Shares which may be issued pursuant to the Share Option Schemes. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed “Underwriting – Underwriting arrangements and expenses – Sole Sponsor’s independence” in this prospectus for details regarding the independence of the Sole Sponsor.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK\$9.0 million to act as sponsor to our Company in the Global Offering.

4. No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of the Group were prepared) and up to the date of this prospectus.

5. Qualification of experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

| <u>Name</u> | <u>Qualification</u> |
|---|---|
| CMBC International Capital Limited | Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| Han Kun Law Offices | Legal advisors as to PRC laws |
| Harney Westwood & Riegels | Legal advisors as to Cayman Islands laws |
| ELLALAN | Legal advisors as to Hong Kong intellectual property laws |
| LCS & Partners | Legal advisors as to Taiwan laws |
| PricewaterhouseCoopers | Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588) |
| China Insights Industry Consultancy Limited | Industry consultant |
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | Property valuer |

6. Consents of experts

Each of the above experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding in our Company or any of our subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary expenses

The preliminary expenses incurred by our Company were approximately RMB34,000 and were payable by us.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

| | | |
|----------------------------------|---|---|
| Name | : | Lake Ranch Limited |
| Description | : | Corporation |
| Registered office | : | Vistra Corporation Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands |
| Nature of business | : | Investment holding |
| Number of Sale Shares to be sold | : | 48,000,000 |

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Save as disclosed in the sections headed “History, development and Reorganization”, “Underwriting – Underwriting arrangements and expenses – Underwriting commissions and expenses” in this prospectus and the paragraphs headed “Further information about our Group” in this Appendix to this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or debenture fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or debenture of any member of our Group;
 - (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to Underwriters and sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (vi) our Company has no outstanding convertible debt securities or debentures; and
 - (vii) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a significant effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of **GREEN** Application Form;
- (ii) the written consents referred to in “Statutory and general information – E. Other information – 6. Consents of experts” in Appendix V to this prospectus;
- (iii) a copy of each of the material contracts referred to in “Statutory and general information – B. Further information about our business – 1. Summary of material contracts” in Appendix V to this prospectus; and
- (iv) a statement of the particulars of the Selling Shareholder referred to in “Statutory and general information – E. Other information – 10. Particulars of the Selling Shareholder” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.splend.com during a period of 14 days from the date of this prospectus:

- (i) the Memorandum and Articles of Association;
- (ii) the Cayman Companies Act;
- (iii) the accountant’s report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (iv) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (v) the audited consolidated financial statements of our Group for the Track Record Period;
- (vi) the letter of advice issued by Harney Westwood & Riegels, our Cayman Islands legal advisors, summarizing the constitution of our Company and certain aspects of Cayman Companies Act in Appendix IV to this prospectus;
- (vii) the PRC legal opinion issued by Han Kun Law Offices, our PRC Legal Advisors, in respect of certain corporate matters and property interests of our Group;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND AVAILABLE ON DISPLAY**

- (viii) the legal opinion issued by LCS & Partners, our legal counsel as to certain aspects of Taiwan laws;
- (ix) the legal opinion issued by ELLALAN, our legal counsel as to certain aspects of Hong Kong intellectual property laws;
- (x) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed “Industry overview” in this prospectus;
- (xi) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus;
- (xii) the material contracts referred to in the section headed “Statutory and general information – B. Further information about our business – 1. Summary of material contract” in Appendix V to this prospectus;
- (xiii) service contracts and letters of appointment with our Directors referred to in the section headed “Statutory and general information – C. Further information about our Directors and Substantial Shareholders – 2. Directors’ service contracts” in Appendix V to this prospectus;
- (xiv) the written consents referred to in the section headed “Statutory and general information – E. Other information – 6. Consents of experts” in Appendix V to this prospectus;
- (xv) the terms of the Pre-IPO Stock Incentive Plan and a list of grantees thereunder, and terms of the Post-IPO Share Option Scheme; and
- (xvi) a statement of the particulars of the Selling Shareholder referred in “E. Other information – 10. Particulars of the Selling Shareholder” in Appendix V to this prospectus.



Star Plus Legend Holdings Limited
巨星傳奇集團有限公司